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Managing National Accounts

by Linda Cardillo Platzer

A Research Report from The Conference Board

Contents

Page

WHY THIS REPORT	iv
PART 1—COMPANY PRACTICES	1
1. INTRODUCTION	1
Rationale for National Account Programs	1
Changes in Purchasing Practices	1
Changes in the Seller's Organization	2
2. ORGANIZING NATIONAL ACCOUNT ACTIVITIES	3
National Account Activities and Functions	3
Monitoring or Controlling Activities	3
High-level Presentations	5
Information Activities	5
Setting Policies and Procedures	6
Types of National Account Units	6
Marketing-support Units	7
Units with Broader Control	7
Specialized Marketing Units	9
Structuring National Account Assignments	10
A Full-time or Part-time Job?	10
Size of the National Account Unit	10
Location of Primary Responsibility	10
Interdivisional Coordination	11
Functions	11
Evolution of a Company's Program	12
3. FACTORS NECESSARY FOR SUCCESS	13
The Role of Senior Management	13
Integrating the Unit into the Organization	13
Relationship with Regular Sales Force	15
Keeping the Rest of the Company Informed	16
Defining National Account Roles	16
National Account Personnel	17
National Account Benefits	19

Charts

1. Responsibility for National Account Activities or Functions	4
2. Factors Affecting National Account Program Success	14
3. Achievement of National Account Program Success	18

Exhibits

1. National Account Data Bases	6
2. National Account Criteria	7
3. The Role of Resellers	8
4. Reorganizing for National Accounts	11
5. The National Account Plan	16
6. Desired Qualities in National Account Personnel	17

PART 2—COMPANY EXAMPLES.....	20
American District Telegraph Company.....	20
Commercial Services Group, Automatic Data Processing, Inc.	22
Clay Adams Division, Becton Dickinson and Company	25
Campbell Soup Company	28
Norton Company	31
A Paper Company	34

Why This Report

This report is addressed to senior members of general and marketing management who seek to ensure that the company puts its best foot forward when dealing with its most important prospects and customers. The report presents the findings of The Conference Board's latest examination of companies' options and experiences in managing their key- or national-account efforts.

The Board has monitored the evolution of national account programs for more than twenty years. The continuing challenge in such programs is to provide specialized attention to VIP customers in ways that generate profitable, repeat business, without jeopardizing the company's regular selling and marketing activities. As the present study confirms, many managements are working harder than ever to protect their companies' national account relationships. Some consider this critical to survival.

In implementing national account programs, the companies studied employ a variety of organizational and procedural approaches, customizing them to suit the specific

requirements of their markets. Moreover, competitive pressures have forced most of them to modify their programs continually over the years.

Specifically, the present study reflects many of the practical choices made, as well as useful lessons learned, by more than 130 U.S. firms in their development and support of full-fledged national account programs. It is based on information provided by executives having responsibility for national account activities in these firms, which represent a variety of manufacturing and service industries. Most of these executives are members of the National Account Marketing Association, whose assistance in launching this research project is gratefully acknowledged.

To all of the cooperators go our thanks for a frank reporting of their experiences and observations for the benefit of the Board's Associates.

JAMES T. MILLS
President

Part 1: Company Practices

Chapter 1 Introduction

Most companies engaged in business-to-business marketing are understandably committed to building sound, long-term relationships with their major customers. In many cases this has led to the establishment of special programs to meet the demands of selling and servicing such customers—often called “national accounts.”

Some national account programs are by now more than 20 to 30 years old; others were set up in a flurry of activity in the late 1960's and early 1970's; and still others, initiated within the last few years, remain in somewhat experimental stages. A Conference Board survey of 122 high-ranking executives who direct formal national account programs for their companies reveals that—except for the very newest—a substantial number of these programs are now vigorous, maturing elements of their companies' marketing efforts. For some, the revenues and operating momentum derived from national account customers are now described as “the heart of our business.”

Rationale for National Account Programs

The impetus for starting or substantially strengthening a company's national account program, according to executives overseeing such programs, stems most often from increased difficulty in trying to sell and service large, complex or geographically dispersed organizations. In particular, one of two situations—and, occasionally, both—usually prompts a consideration of initiating, or bolstering, a national account approach:

- Management recognizes the company's critical dependence on certain existing customers and the limitations of the company's traditional methods of protecting and capitalizing on this business; or
- Management identifies potential growth opportunities in new markets where success requires specialized attention to important target accounts.

In some cases, recognition of the vital contribution of key customers to a company's success has been reinforced by crisis. Describing the situation that prompted a reevaluation and restructuring of his company's program for serving its major customers, an office-equipment company executive reports: “Of the 15 accounts we had selected as our company's most strategic, 11 had problems so severe that they were ready to institute drastic measures in dealing with us.”

This report is based on information provided by over 130 national account executives, most of them members of the National Account Marketing Association. A majority of these executives participated in a survey that was the foundation for much of this report, including Charts 1, 2 and 3. Other information, particularly examples of specific practices or problems, was drawn from several presentations at recent Conference Board Marketing Conferences, from responses to open-ended survey questions, and from interviews with additional national account practitioners in selected companies.

Significant changes in both customers' and suppliers' firms have increased the range of problems that companies face in selling to their major customers. Greater sophistication and complexity in purchasing operations have accompanied customer growth and diversification. Suppliers, experiencing expansion of their own, have had to deal with internal organizational complications that have affected their ability to reach their markets effectively.

Changes in Purchasing Practices

National account executives frequently cite three major changes in the purchasing practices of customers that have most strongly influenced the way their companies now sell to major customers:

- (1) More centralized decision making on purchasing matters;
- (2) Higher levels of proficiency and responsibility established for purchasing operations; and
- (3) Greater attention to the long-term impact of purchasing decisions, with need for more involvement of multiple levels of management in making such decisions.

A seller's previous reliance on traditional selling approaches by its regular field personnel had often failed to provide the kind of information and insight that senior management in customer firms was looking for to assist in making purchasing choices. Thus, a manufacturer of health and beauty aids, among others, is devoting additional time and effort to its national accounts because

"more and more promotional, merchandising and inventory decisions emanate from headquarters." And, according to an industrial-products manufacturer: "Major customers today require a high degree of communication, not only on the buy-and-sell commercial level, but also on executive levels, primarily to give strategic consideration to commercial decisions. The only way to retain major customers is to understand long-term strategic issues between the two companies, above and beyond daily commercial sales and service concerns."

Other managements have discovered that their companies were not always getting a fair hearing from major prospects and customers because their field personnel could not gain access to those in senior ranks who were now making, or influencing, purchasing decisions. The national account manager of an engineering firm reports: "Our ability to reach the major end-user of our products was hampered by the lack of any sophisticated or coordinated field sales efforts. With our national accounts unit we now have the vehicle to maintain contact and determine and influence their needs prior to bidding on their projects."

Changes in the Seller's Organization

The expansion and greater diversity of a company's own business operations often create difficulties in interfacing with prospects and customers who may be target accounts for more than one selling unit of the company. Evidence suggests that even managements that otherwise believe strongly in granting considerable autonomy to decentralized business components are increasingly willing to intervene in these areas—at least to the extent of ensuring some degree of internal coordination and communication. Otherwise, it is feared that not only will irritated customers

be forced to endure a parade of sales representatives from the same seller, with possibly inconsistent messages, but there will also be missed opportunities for selling reinforcement and a sharing of sales leads.

Thus, executives mention a frequently heard request from major customers: "Give us *one* contact who can speak with *one* voice for your entire company." The solution, for many managements, has been to develop programs that provide greater overview and guidance with respect to the multiple and complex contact points that so often characterize their dealings with key accounts. Even within a single sales organization, geographic boundaries become less important and less troublesome for a paper and packaging company with "account coordinators who oversee the handling of major accounts that cross regional lines. These coordinators are notified in advance of any action contemplated in one region that could have repercussions in another region, or with the account as a whole. The coordinator also establishes a contact with the account with whom he (or she) can discuss such things as long-range forecasts on a national level."

Another executive from a grocery products company voices a common argument in favor of national account marketing in these terms: "Big customers like to do business with big suppliers." His own company's national account unit was created as a way of unifying its scattered marketing efforts into the equivalent of the "one big supplier" its customers were demanding.

Ultimately, establishment and support of a national account program is said to be simply a matter of survival for many companies. One service company executive notes that, within his industry: "Companies that do not have such capabilities have had a difficult time retaining their large accounts."

Chapter 2

Organizing National Account Activities

A company's management frequently has a number of options to consider when designing or reorganizing a formal national account program. The Conference Board's study confirms the diversity of practices, both in assigning national account responsibilities within a company and in structuring organizational arrangements by which specialized national account personnel carry out their duties. In most cases, several kinds of functional activities and assignments are combined to create a program that is appropriate to the needs of major customers and that accommodates the seller's own internal structure and culture.

Recalling the advice he received when he set out to develop his company's national account program, one executive reports: "When I took the job, the first thing I did was to call a friend, whose company had had a national account program for many years. I asked him if he could give me some advice on how to set up our program. He said: 'I'd be more than happy to tell you how we did it. However, my recommendation would be not to emulate us. You have a unique opportunity to look at your customers; look at your marketplace; and, most of all, look at your company. Then construct something that will address the real issues in each one of those areas. Every company is unique, and every company needs to have a different set of support services to be successful in the national account marketplace. So take that opportunity to build something unique.'"

In making choices by which they might hope to "build something unique," managements are forced to:

- (1) Define the functions and activities that are necessary to carry out their companies' national account missions; and
- (2) Decide how those functions and activities will be organizationally implemented—for example, which, if any, might best be assigned to a specialized unit; where such a unit should be located; and how it should be expected to interact with the rest of the company.

National Account Activities and Functions

Although each national account program necessarily has its own market- and company-driven characteristics, many have elements in common with those of other companies. Some of these elements are integral to virtually all pro-

grams and can, perhaps, be considered fundamental to a national account approach. These include:

- Monitoring or controlling national account contacts and relationships;
- Providing for formal presentations to senior executives of national accounts;
- Developing national account policies and procedures;
- Developing, maintaining and disseminating information on national accounts.

Chart 1 (on page 4) describes the potential range of activities associated with selling to national accounts, and shows how surveyed companies indicate they divide various tasks among specialized and regular selling and service units.

Monitoring or Controlling Activities

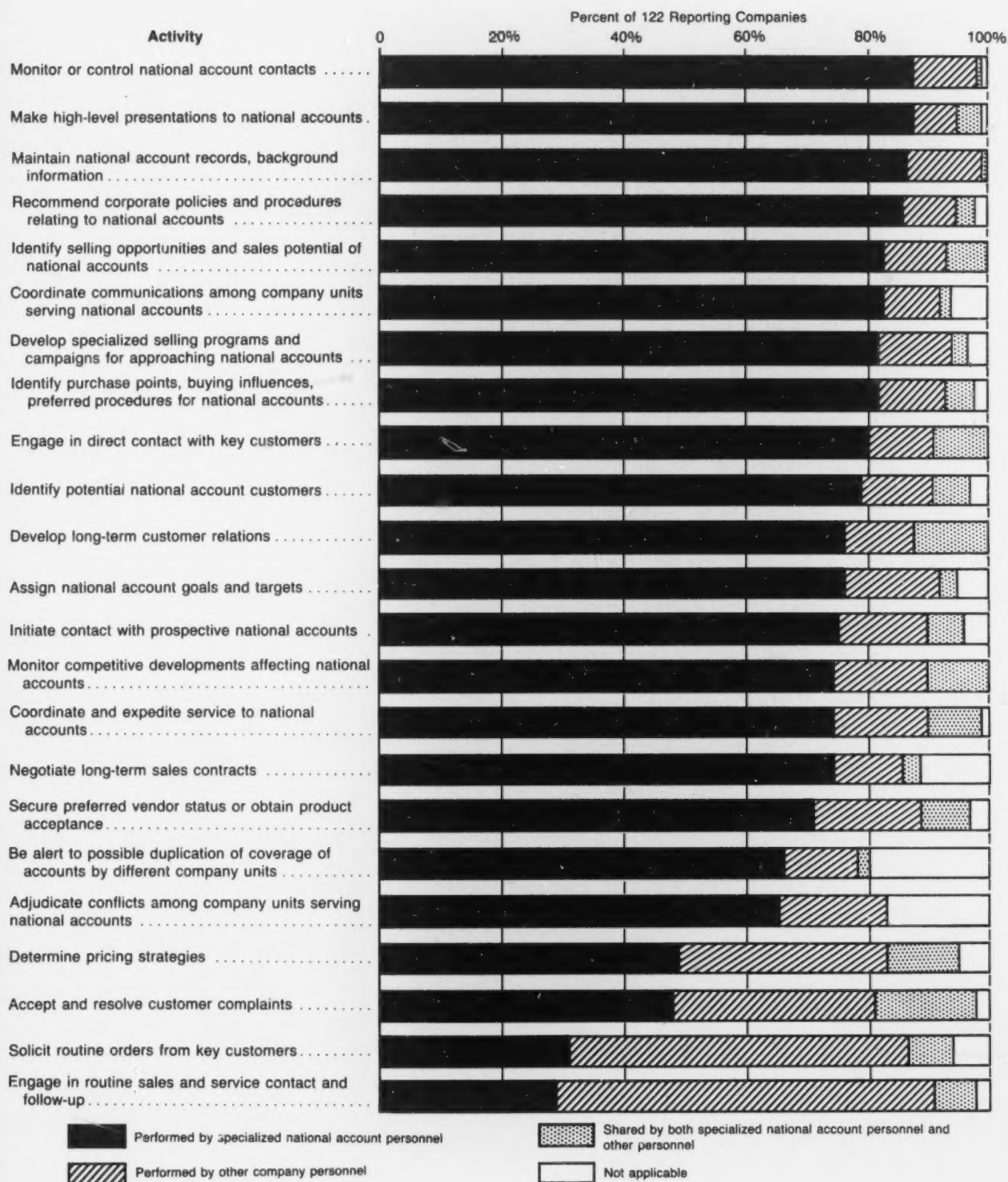
The most common problem sellers face is a lack of coordination among different selling units with the same target accounts. Thus, a basic requirement in most national account programs is some mechanism for unifying or keeping tabs on the various selling efforts directed at major customers—such as providing centralized monitoring of all contacts made with national accounts or, in some instances, maintaining actual control over them.

Typically, a designated individual—a member either of a specialized national account unit or of a regular company unit—is held responsible for "knowing what is going on" with a key customer. Associated procedures can range from tracking sales to the account as they occur, or being advised in advance of any proposed action with the account, to heading a formal or informal team that coordinates selling efforts directed to that account, or acting as the sole or primary voice for the company in connection with major sales proposals or transactions.

One packaging-industry firm has chosen a pro-active role for those responsible for the company's national account program. They are expected to pull together a team from the separate business units selling to major accounts and then to exercise influence over that team. A spokesperson reports:

"A business-team approach is established. First, a meeting is set up with the selling people in the field to review individual account goals and strategies. For example, we recently set up a program for a large chain account

Chart 1: Responsibility for National Account Activities or Functions



in which eight of our business units were involved. The management assistant [the individual assigned specific responsibility for the account] found at that initial meeting that the eight people on the account were unknown to each other, despite the fact that they probably passed each other dozens of times in the hallways at headquarters. Now that the management assistant has called them together, they can see the interrelationships among their activities. As a result, they are sharing information and we have a more cohesive overall approach that is very encouraging.

"Once the management assistant has become familiar with an account and has established the business-team contacts, he becomes the official executive contact with the customer—the spokesperson for all of the company's business units. As such, the management assistant serves as the focal point for corporate action, crossing division and business-unit lines in order to provide the business team with the support it needs to serve the key account. As part of the control function, he conducts quarterly reviews and prepares reports on meetings. Selling remains the function of the individual selling unit."

High-level Presentations

National account personnel are often reported to play a critical role in making high-level presentations to major accounts. In some cases, such presentations are most important during an initial phase of contact and development with a key customer for the purpose of preparing for later follow-up by the regular sales force. In other cases, national account personnel come into the selling process later in the game, after regular sales personnel have moved as high as they can within a prospective purchaser's organization. In still other cases, national account personnel continue to maintain regular contact with all such customers, often on an annual or semiannual basis, for the purpose of reviewing the previous period's activity, planning for upcoming needs, or negotiating long-term sales contracts.

Actual demands on national account personnel in making customer presentations vary widely among reporting companies. At one end of the spectrum are those who participate in one-on-one meetings with a senior executive from a national account or work as a member of a group of sales people assigned to the headquarters region of the account. At the other end are individuals who orchestrate the contributions of the several people from diverse functional areas of the company who provide products or services to the account.

Thus, national account executives often are not only key spokespersons for their companies, but also the pivotal members of national account teams, which they themselves may put together and manage without usual line authority. One national account manager considers participation in this way the "heart" of his company's team approach. He is typical in his belief that team selling is essential to his company's success with its principal customers.

Some presentations to senior executives in a customer firm are designed to demonstrate the seller's general capacity to serve the account; other presentations may deal with specific issues that arise between the parties while doing business. Some examples offered by study participants as reasons for arranging such presentations are:

- To present an overview of the company's capabilities in preparation for more specific solicitation by the line sales organization;
- To provide backup technical assistance and product-development information;
- To introduce important new products, or to promote specific products or product applications;
- To respond to requests for formal bids or sales proposals;
- To provide corporate presence and influence in closing major sales;
- To negotiate formal agreements, such as annual sales contracts;
- To achieve a position as a preferred vendor;
- To introduce the seller's local sales representatives to higher levels of contact within a customer's organization;
- To establish direct links with the customer's research-and-development or manufacturing operations;
- To respond to specific problems experienced by a customer;
- To orchestrate closer business—and, possibly, social—relations between key executives in both companies.

Information Activities

Information management is a prime requisite of the national account approach. "Without it we would have no program," says one executive. What is needed is the systematic development and maintenance of background records and information regarding the company's key prospects and customers—such as their product and service requirements, buying potential, user installations, principal buying influences and contact points, purchasing procedures and preferences, and so on. The accumulation and evaluation of such data is seldom an easy job, usually requiring the management of relationships and information flows with respect not only to national accounts but also to the different company units that serve them. Describing the magnitude of the task in his firm, a national account executive in a large chemical company reports:

"The office of national accounts keeps track of the volumes and dollars of sales to approximately 130 accounts to which there are either multidivisional or multidepartmental sales. Of this large group, the director concentrates on 25 to 30 accounts across the country. It is his function to establish direct contacts at the highest possible levels in these accounts; to be aware of current major business activities; to be alert to future possible business potentials;

and to serve as a prime liaison between the two companies. These activities require close cooperation with the business groups involved to ensure a concerted effort with their complete support. This office is also responsible for maintaining up-to-date customer information files, including, in addition to sales figures, organizational and financial matters pertaining to the customer companies."

Ensuring effective communications among different units serving the same accounts is an activity related to the gathering of such information. For example, without such linkages there is often no established method within a company for transmitting information about a sale to a customer's site in one region that might signal potential business opportunities at other locations.

Setting Policies and Procedures

Other functions common to national account programs include the formulation of company policies and procedures with respect to major accounts. Typical decisions to be made include defining the criteria by which accounts will be designated as "national"; determining the split of responsibilities in dealing with these accounts, as between specialized units or personnel (if any) and regular company units; establishing objectives for individual accounts and for the program as a whole; and ascertaining the need for special sales procedures, such as annual national contracts or agreements, where appropriate.

Given the often complicated interconnections among sellers and their major customers, many managements count on their companies' national account programs to provide a helmsman to lead them through these waters. As one executive puts it, his company's national account unit was established "not only to have tighter control of sales and coverage but also to gain *guidance* for our marketing programs." One company that places great emphasis on its national account planning process budgets by account, rather than by product, operating unit, geographical unit, or market. A spokesperson reports that it is the responsibility of the national account program "to identify those accounts with which we want a strategic relationship, and actually to establish the resource commitments and return expectations used to evaluate the results of the effort to manage that relationship."

Types of National Account Units

Because the sample base for The Conference Board's study consisted predominantly of members of the National Account Marketing Association, the findings necessarily reflect the practices of companies with *formally* organized national account programs and assignments. Thus, among the companies surveyed, it is common to designate at least some national account activities as the responsibility of specialized units. These activities are a primary and, usually, full-time assignment for the personnel involved. There

Exhibit 1: National Account Data Bases

Some national account units develop extensive data bases that serve both their own companies and their national account customers. For example, Norton Company maintains an information system that keeps track of every product sold to an account, the user location that took delivery, and the date of purchase. Each December, this historical record is linked with reports filed by Norton's sales force on the sales potential for each of Norton's products at every customer plant. From the system, the company's national account unit gets two kinds of reports:

(1) A quarterly summary of all purchasing activity by each account, which compares an estimate of potential purchases—both for the aggregate account and for each of its user locations—to actual sales in the previous year and the year to date. The director of national accounts uses these summaries to track the performance of an account, to pinpoint any products or locations that may need attention, and to help in assessing whether the account should continue to have "national" status.

(2) Specialized reports for individual national account customers, usually available within twenty-four hours, provide detailed analyses of product usage and possible ways of combining local orders or revising order specifications to improve purchasing efficiency. Often, customers lack the detailed information they need to make such decisions. This information service has proved to be an effective tool in demonstrating to customers the value of doing business with Norton.

The national account director expects that, in time, the computer will have even greater impact on the management of national accounts. For example, Norton is currently working on having the ability to have direct computer-to-computer links to national accounts through its industrial distributors.

In another company now in the process of establishing a national account program, the national account unit has created a data base of both actual and potential customers as a first step in this direction. Previously, there had been no consolidation of such information about the company's customers and prospects because of a culture calling for highly autonomous operations—a situation that reportedly has both impeded the development of consistent national account operations and often resulted in lost opportunities for generating additional business with major customers.

are frequent variations and overlaps in practice; however, three main types of national account units stand out. Their specialized missions tend to emphasize one of the following:

- Providing backup marketing support to the company's regular sales force(s)—essentially by means of coordinating and monitoring functions;

Exhibit 2: National Account Criteria

For most companies, an early step in fashioning national account policy is the selection of criteria for identifying and defining national accounts. While there are considerable variations in detail, certain general characteristics are fairly common. In discussing their companies' selection criteria, most executives mentioned one or more of the following conditions:

- The actual or potential volume of purchases by the customer exceeds a specified minimum dollar value;
- The customer engages in centralized purchasing, has national agreements, maintains preferred vendor lists, or exerts some other kind of headquarters influence on the practices of outlying purchasing or using units of the company;
- The customer has multiple, geographically dispersed sites located in more than one of the seller's sales regions, at which products or services are purchased, delivered or consumed;
- The customer purchases products or services from more than one of the seller's business units.

In addition, some companies also place weight on less easily measured characteristics that may nevertheless indicate either the need for, or the advantages of, giving specialized treatment to an account. Examples of these include cases where:

- The customer is considered an important leader in its industry—a prestigious account or, perhaps, an innovator that sets the pace for other companies;
- The customer ranks as a leader on some externally compiled list, such as the *Fortune* list of 500 largest industrial corporations;
- The customer's rapid growth offers significant future sales opportunities to the seller;
- The customer operates in an "emerging" industry or market category that is considered important by the seller;
- The customer's purchases are a source of above-average profitability for the seller;
- Previous contacts suggest exceptionally promising possibilities for developing a long-term relationship with the customer.

The process of identifying and classifying national accounts is said to be one that often requires judgment and diplomacy. Those in the position of making the final decision sometimes find themselves besieged by requests both from their own field personnel and from the company's customers for the granting of national account status. National account executives report that having clearly defined standards can help to reduce the possibilities for confusion and ill will, and to protect the company's best interests.

- Giving strong, centralized authority and direction to the company's marketing effort aimed at major customers; or

- Operating as a virtually self-contained marketing arm engaged exclusively in selling and servicing national accounts.

These types, as described here, reflect something of a continuum in national account approaches. Marketing-support units perform the most basic duties, while full-fledged marketing operations take on the most comprehensive duties.

Marketing-support Units

The most common role of the national account unit—reported by nearly half the companies surveyed—is that of a marketing-support operation engaged mainly in those activities found to be fundamental to a national account program: developing background information regarding major accounts; keeping track of, and perhaps acting as a clearinghouse for, sales contacts with such accounts; and participating in substantive meetings with account personnel.

What a national account unit of this kind does *not* do is often as telling as what it does do. Thus, many survey participants make an important distinction between units that are primarily *service* units and those that are primarily

selling units. In companies with units of the marketing-support type, such specific selling activities as soliciting routine orders, negotiating long-term contracts, or securing a place for the company as a preferred vendor are left to the company's regular sales personnel. Also, national account personnel in units of this type are seldom directly involved in the resolution of customer complaints.

The following description is typical of the work expected of such coordinating or support units: "Selling remains the function of the individual selling unit. The national account representative, by definition, is there to assist in the selling effort and to coordinate activities with other business units involved. This role is one of support—not competition. If done well, this will help the salesperson become more successful without threatening existing selling relationships."

Units with Broader Control

The specialized national account units of about a quarter of the companies surveyed have a broader mix of responsibilities than those just cited. Internally, such units have considerably more say than the first type in strategic and policy-making decisions relative to national accounts, and more direct involvement in the coordination and monitoring of national account activities, the resolution of interdivisional or interdepartmental conflicts, and the

Exhibit 3: The Role of Resellers

Companies selling in part through dealers, distributors, wholesalers or other indirect channels are often hard pressed to establish a role for such resellers in their national account programs. Among the various approaches and solutions, some of the most common are:

(1) *The company reserves major customers as national accounts for itself and relies on resellers to deal with the remainder of the market.* It is in defining the lines of demarcation between the company's and the reseller's customers, of course, that potential for conflict arises. The situation can be particularly sensitive when a manufacturer takes over as national accounts certain users of its products first developed as customers by its resellers. For example, when a petroleum refiner decided to establish a national account program in order to increase its business with major retailers, it faced serious opposition from its wholesale network. The company's vice president of marketing recounts: "We have yet to find a solution to the problem of dealing with our traditional wholesalers, who have built our business with many key customers—customers to whom we are now forced to sell on a direct basis."

A related problem is frequently faced by companies whose normal distribution is through reseller operations: Pressure is exerted by customers who would prefer to deal directly with the manufacturer. An executive in an industrial-products firm describes the balance a company will often try to achieve in such cases to preserve its valued relationship with its resellers:

"When a product by its very nature requires after-sale service, and when a manufacturer is structured to provide this after-sale support through independent dealers, buying direct may not be in the best interest of some customers. But the role an independent distributor plays in the selling and servicing of a product just is not understood by some customers. This problem can only be overcome by convincing potential customers of what the dealer can do for them—that they are not just buying a physical product but are also buying the loyalty and expertise of the local business that will be providing after-sale support."

"There are obvious instances where direct selling is appropriate, for example, where a given transaction is too large for a local dealer to handle, or where true national leverage through volume and central purchasing is beneficial in terms of price. But the very existence of a national account function creates a problem with customers that cannot really make the best use of it. This requires careful control of the designation of national accounts to avoid competition with one's own wholesale distribution system."

(2) *The company has a national account program but still relies on resellers to deal with all customers, including those regarded as national accounts.* In some cases, such an account may be one that is "pre-sold" by the company—as, for example, through the signing of a national sales contract or purchase agreement. The reseller is then usually expected to serve the customer in its area, according to the terms of the agreement.

elimination of duplicate solicitation efforts. Externally, these units also take an active role both in conducting important sales negotiations and in building long-term ties between the company and its key customers. National account executives in these units are often in a position to speak for their companies in a major capacity. This is reported to give them "added clout" in dealing effectively with senior executives in customer accounts.

Among other things, national account units with broad charters generally have considerable authority in certain key areas that include determining pricing strategies; setting sales and related goals for national accounts; controlling the coverage of the accounts and adjudicating any conflicts that occur among company units with regard to such coverage; and negotiating major sales contracts.

Not all companies find the negotiation of long-term sales contracts with their customers to be possible or appropriate. But for those that do, this generally is a matter of high priority, and one that is frequently the concern of the national account unit. One engineering firm, with extremely technical, intangible service offerings and an intricate mix of sales and purchase contact points with its principal customers, has established its national account

unit primarily for the purpose of negotiating annual contracts. Its director of corporate accounts explains:

"It is felt that this marketing approach will help to control our rapidly expanding and increasing sales costs. Many of our projects are tied directly to proposals, the cost of which continues to climb. We hope that once we develop a national account relationship with a client, it will not be necessary to develop a proposal for every new project and more work assignments can be undertaken directly with our national accounts on an informal cost-of-services basis."

In another case, a company in the health-care field found that industry pressures for national contracts significantly influenced its organization of a national account unit. A spokesperson reports: "It became increasingly difficult for my company to market certain classes of products at the local hospital level in the absence of an agreement between us because of the combination of two phenomena. The growing trend for groups of hospitals to share purchasing services and negotiate single agreements applicable to the entire membership (sometimes in excess of two hundred hospitals) is one. The other is the rise in the medical marketplace of for-profit management companies that acquire their own chains of hospitals."

The problem is how to incorporate the resellers into the company's national account program. One solution is that adopted by an industrial-products manufacturer that negotiates annual contracts with its major customers. After such a contract is signed, the customer selects the specific distributors that it will use to service each of its plant locations. Each of the customer's plants then works out its own stocking and billing arrangements with the designated distributor for its area. Since the contract between seller and buyer establishes a standard discount, the distributor is granted the same discount from the manufacturer. In practice, the national account contracts have usually resulted in more business for the distributors, thereby assuring their support and backing for the program.

(3) *A company's resellers are themselves considered to be national accounts.* This is frequently the situation for consumer-products manufacturers, such as some kinds of food processors or producers of household goods selling to both large retail chains and large wholesalers that serve smaller retailers. It is also common among manufacturers of such nonconsumer items as medical equipment and supplies.

Some companies find it appropriate and worthwhile to offer their major resellers such special services as customized incentive packages and training for resellers' sales personnel, backup technical and sales assistance, and the like as part of their national accounts programs. When resellers' requirements are sufficiently different

from those of other major customers, or the volume of sales activity with resellers is substantial enough to warrant it, a company may assign exclusive responsibility for reseller business to some members of the national account staff. One executive reports: "After a year of testing, our major accounts group was modified by the addition of a broker network, with the responsibility for sales and distribution of certain product lines to selected markets. A headquarters-based national broker manager and four broker field managers carry out this responsibility."

Another executive explains the philosophy behind his company's revamping of its marketing efforts in dealing with major distributors: "We consider them our partners, and went to them to find out how we could best assist and develop the partnership for our mutual benefit."

Where independent consultants have come to play an important role in helping some buyers with their purchases of expensive equipment, sellers in some industries have also had to accommodate those outsiders in their national account programs. With this in mind, one company in the computer industry has established what it calls a "consultant relations" program under the umbrella of its national account effort. One staff member is responsible for presenting a consistent message from the company to the consulting community. Among other things, this generally involves keeping consultants up to date on product information, conducting seminars for them, and providing fast responses to their queries and problems.

"Prior to the formation of our national account unit, my company had no coordinated overall program. Our relations with national accounts were handled on an ad hoc, regional basis. Now, all national agreements are fully coordinated and implemented through the national account unit. This provides us with a coherent and consistent approach."

Specialized Marketing Units

Adopting a third national account approach, one-fifth of the companies surveyed have set up separate national account marketing organizations—full-fledged, independent selling operations—to serve as their exclusive contacts with major customers. The personnel of these units engage in direct calls on such customers not only for the general purpose of developing close, continuing ties with them but also for the specific purposes of soliciting and servicing orders. Their responsibilities typically encompass all selling-related efforts directed to national accounts, whereas the charters of other kinds of units may allow for their participation in major deals but usually leave follow-up action to the regular company sales units. Members of sales operations dedicated to national accounts also tend

to bear more direct responsibility for responding to—and helping to resolve—customers' complaints than do personnel in other kinds of units.

Specialized service or administrative departments that look after the particular requirements of major customers are often incorporated within a separate, direct national account sales unit. This is common practice in several service industries—among the marketers of data-processing services or insurance, for example. Thus, the national account units of several insurance companies have set up special teams of actuaries, systems designers, and legal experts whose time is spent exclusively on issues that affect their companies' key customers. One senior insurance executive reports on how such a support structure evolved at his company:

"The group-insurance department sells group policies (primarily life and health) to many of its national accounts. In other cases, the employer essentially self-insures its employee benefits program. In these cases, the group department provides claims and other administrative services.

"Over the last few years, each of our sales regions has formalized an area within its group-insurance department

dedicated solely to the administrative needs of its largest customers. Formerly, services were provided by the sales group's representatives. As the employee-benefit field grew more complex, it became obvious that our group-insurance representatives could not continue to deliver the quality of service necessary to fill the needs of a large employer.

"The account area is composed of account executives and a number of technicians with specialized talents. The account executives deal directly with the policyholders, orchestrating the resources of the group-insurance department to provide necessary services and expertise. Our challenge is to put our account organization into a position to anticipate the needs of our policyholders rather than to react to them."

Structuring National Account Assignments

Three important considerations in organizing national account activities are: (1) whether such activities will be the full- or part-time responsibilities of the personnel or unit involved; (2) the number of individuals who will take part in such activities; and (3) the organizational level or levels (that is, corporate, group, divisional, or some combination of these) at which national account responsibilities will be located in the multidivisional company.

A Full-time or Part-time Job?

Four out of five of the executives surveyed report that, in their companies, national account responsibilities are a full-time effort for the personnel to whom they are assigned. The commitment of resources on a full-time basis is commonly cited as acknowledgment of the importance and value that are attached to the national account mission, and of the effort that is required to mount an effective program in its support.

For the one company in five that sustains its national account program primarily with the part-time help of those involved, two alternatives are frequently mentioned:

- Having a centrally located director employed full-time to work with members of the field sales force or with senior-level executives, who may themselves be assigned only part-time responsibility for servicing key accounts; or
- Having loosely organized arrangements of part-time assignments for selected senior executives, without provision for such overall coordination.

One adherent of the first approach is an industrial-products manufacturer, whose director of national accounts reports: "Our account coordinators are selected from both line and staff personnel. They hold the positions of corporate vice president, division vice president, regional general manager, regional sales manager, sales manager, and product manager. All national account marketing activity is under the overview of a director of national accounts, who also coordinates several accounts directly."

The vice president of marketing in another large company, which follows the second approach, explains: "To provide high-level control and to resolve interdivisional conflict, an ad hoc organization is used. The corporation identifies a list of multidivisional and/or multi-area customers. A senior-level executive, a division manager, is 'responsible' for the relationship on a worldwide basis. The individual division account executives do not organizationally report to him, but he is responsible for knowing what is going on with the account from a policy and strategic point of view, detecting needed changes, and representing the company in high-level relationships. The senior executive is usually the division manager who has the largest activity."

Size of the National Account Unit

A chemical company executive, describing the varying dimensions of specialized national account assignments within companies in that industry, defines a continuum that appears to hold true generally for industries represented in The Conference Board's survey:

"Most large corporations in the industry recognize the need to give special attention to their larger customers, especially those with multidivisional or multidepartmental contacts. At the same time, the methods and organizations used to provide this special attention vary widely from single, industry-related major account assignments, at the departmental level, to global, well-staffed organizations with each account representative having total responsibility for two to four major corporations."

Often, the staffs of national account units that perform essentially coordinating and monitoring functions are relatively small, numbering only a few individuals at most. At the other extreme are the full-scale sales operations dedicated solely to national accounts. These frequently have their own complements of supporting service and technical personnel. One executive, from an industrial-products producer, describes the enlargement of the company's program over a 20-year period:

"Initially, and for many years, it consisted of one person who attempted to call on the headquarters locations of our largest customers. As our company grew and as the concept of centralized purchasing expanded, we began to add people. It was not until 1976, however, that we had a formally structured national account department. The department now consists of a director and five general managers who have specific account responsibility for our largest customers and prospects. Three coordinators and five applications engineers support this group."

Location of Primary Responsibility

For multidivisional companies, the appropriate organizational level (or levels) at which to coordinate their national account efforts is an important consideration. The following tabulation shows where the primary responsibility is lodged among the companies surveyed:

	<i>Percent of Companies</i>
At the corporate level	31%
Predominantly at the group level	14
Only at the group level	7
Predominantly at the division level	28
Only at the division level	20

Several factors appear to influence management's decision in this regard:

- The necessity for close coordination of interdivisional activities;
- The nature of specific functions to be performed by specialized national account personnel; and
- The evolution and age of the national account program.

Interdivisional Coordination

The interdependence of divisions that sell to the same customers, or the degree to which the product or service offerings of different divisions are related, can be a key factor in delegating responsibility for national account coordination. Strong, centralized national account units are most often found where the potential for account conflict and confusion among various divisions regularly exists and must be resolved objectively. In choosing between a corporate or group-level location, an obvious consideration is the number of divisions with customers in common, and whether or not those divisions that share customers tend generally to be within the same group. Fully decentralized units are most prevalent where there is little or no overlap of major customers among a company's divisions. In such cases, assurance of interterritorial coordination is a more common need than interdivisional coordination.

Sometimes, for reasons unrelated to national accounts, companies may choose to decentralize selling along with other operating functions formerly controlled by headquarters. Such actions can have serious repercussions for the national account effort. This was the case in a leading materials company where the national account program had been fully unified until a reorganization. A spokesperson reports:

"Each division was given total autonomy on product development and marketing efforts. With divisionalization, the national account sales effort became each division's responsibility. This has caused problems with those accounts whose activities involve more than one division. In addition, many products are not available across division lines, so a national account of a single division cannot develop a total program with us. To be a viable supplier to national accounts will require a commitment at the group-management level to serving this class of trade with a more consistent group of products available across

Exhibit 4: Reorganizing for National Accounts

For multibusiness companies where overlapping account possibilities are minor, or limited to a few divisions, group-level national account units may prove to be more appropriate than either a fully centralized or fully decentralized national account assignment. Clearly, if a group structure already exists, the company is more likely to consider and elect this alternative. However, concern over the handling of national accounts may actually trigger drastic reorganization of a company's existing operating entities.

In one company among those studied, management consolidated the general consumer products divisions into a single operating group to provide better control of the marketing of the divisions' products to the same major accounts. Among the specific benefits cited as a result have been the ability to unify marketing objectives for this important segment of the company's business; to offer its customers "one total supplier" of a size now able to command more respect; and to compensate for the potential weaknesses of some divisions with the strength of others.

Interest in the new group's national account success was reportedly expressed not only by the company's customers, but also by senior operating management in other parts of the company. As a result, the original national account program, which was established ten years ago at the group level, has recently been expanded to include customers of additional divisions and newly acquired companies, and the primary direction for the program has now been shifted to corporate headquarters.

division boundaries, standardized promotional programs, a centrally directed effort, and so on."

Functions

National account units positioned at different organizational levels within a company often carry out different types of missions. For example, centralized units tend to focus mainly on providing either marketing support or strategic direction for programs to be carried out eventually by others. On the other hand, full-fledged national account sales operations are more prevalent at the divisional level.

Examples of functions frequently reported as being performed by personnel in centralized units include assisting in the development of new products for sale to key users; participating in the long-range planning deliberations of key customers; and finding solutions to major customer problems in ways that effectively marshal the entire company's varied resources. The same prestige that a centralized location often gives in gaining entry to senior levels of customer firms is also said to help in fostering the continued support of senior management in the seller organization. In particular, companies opting for a group-level

approach are often concerned with complications arising from duplicate sales coverage among divisional operations that share major customers, and the need for resolving disagreements that may arise as a consequence.

When national account personnel serve as direct sales representatives, they are more often positioned at the operating division level than at group or corporate headquarters. One in three division-level national account units have *exclusive* responsibility for all sales and service contacts with national accounts, while this is the case for only one in six corporate- or group-level units.

Evolution of a Company's Program

The early direction and subsequent aging of a company's national account marketing program may also impose some constraints on, or give special twists to, the organizational structuring of its efforts. For example, some managements have begun their national account programs in tentative and experimental ways—often at a divisional level and with a modest outlay of resources—before making any full-scale commitment. If the program proves viable, management may then reevaluate many aspects of

the program, including the location of specialized national account assignments and personnel. In some companies, national account programs admittedly have originated in—and have since remained located at—the lowest organizational level at which the need for action was clearly recognized, and not necessarily at a level that might have been most appropriate or provided the best payoff.

It is, however, a common perception of national account executives in companies whose programs are relatively new that such efforts are sure to be evolving and changing over time. One says: "We are just implementing this program and it is within our general products division only. If the program is as successful as we expect it to be, we plan to broaden it to encompass other divisions of the company, as we have several large customers that purchase from more than one of our divisions."

The pilot program of another firm with multiple operating-company components supports the various individual sales representatives in these operating companies. "Concurrently," the program's manager reports, "we are examining a substantial number of approaches to the selling and servicing of major accounts that have business contacts with two or more operating companies."

Chapter 3

Factors Necessary for Success

In general, the national account executives taking part in the present study are fairly satisfied with the achievements of their programs in the areas they judge to be most important to national account success. But they are also frank in acknowledging major challenging problems that have yet to be fully resolved in their companies.

A number of factors ultimately determine the success of a company's national account program. Those judged vital by the executives surveyed are summarized in Chart 2. The experiences of companies contributing to this study suggest that the most effective national account units have certain characteristics in common:

- The unit enjoys senior management's support.
- It is well-integrated into the company's overall sales effort.
- It has a coherent, well-defined identity, in terms of what it does and how it is structured to do it.
- It is staffed by experienced, knowledgeable individuals, who possess a well-developed grasp of the capabilities and resources of the entire company.

The Role of Senior Management

Based on their own experiences, national account executives stress that time-honored cliché: the importance of senior management's understanding and support as one of the most decisive influences on program success. Among other things, lack of such support is said to sabotage the national account effort's status in the company and, hence, its impact. Here are typical comments in this regard:

"There are apparently wide differences in the upper-level management's understanding, commitment, recognition and objectives of a national account program. Failure to provide clear and well-defined upper-management direction carries throughout an organization and results in less than total cooperation and effectiveness."

—A chemical company

"The best national account programs, large or small, have usually originated at the top or have been supported at very high levels. Lack of that support, or misunderstanding

ing of the function, at or near the top, will contribute to failure."

—A construction-materials manufacturer

"The most serious unresolved difficulty facing my company's national account program is a lack of understanding by my company's top corporate officers as to exactly what our responsibilities are. Personally, I came from the line sales staff, and our top corporate officers still expect me to be a 'Super Salesman' and gain business from the customers. For a national account program to function properly, however, my position must not be as a salesman, but as a 'marketing consultant' to our customers and a salesman of my company's capabilities as opposed to my company's products."

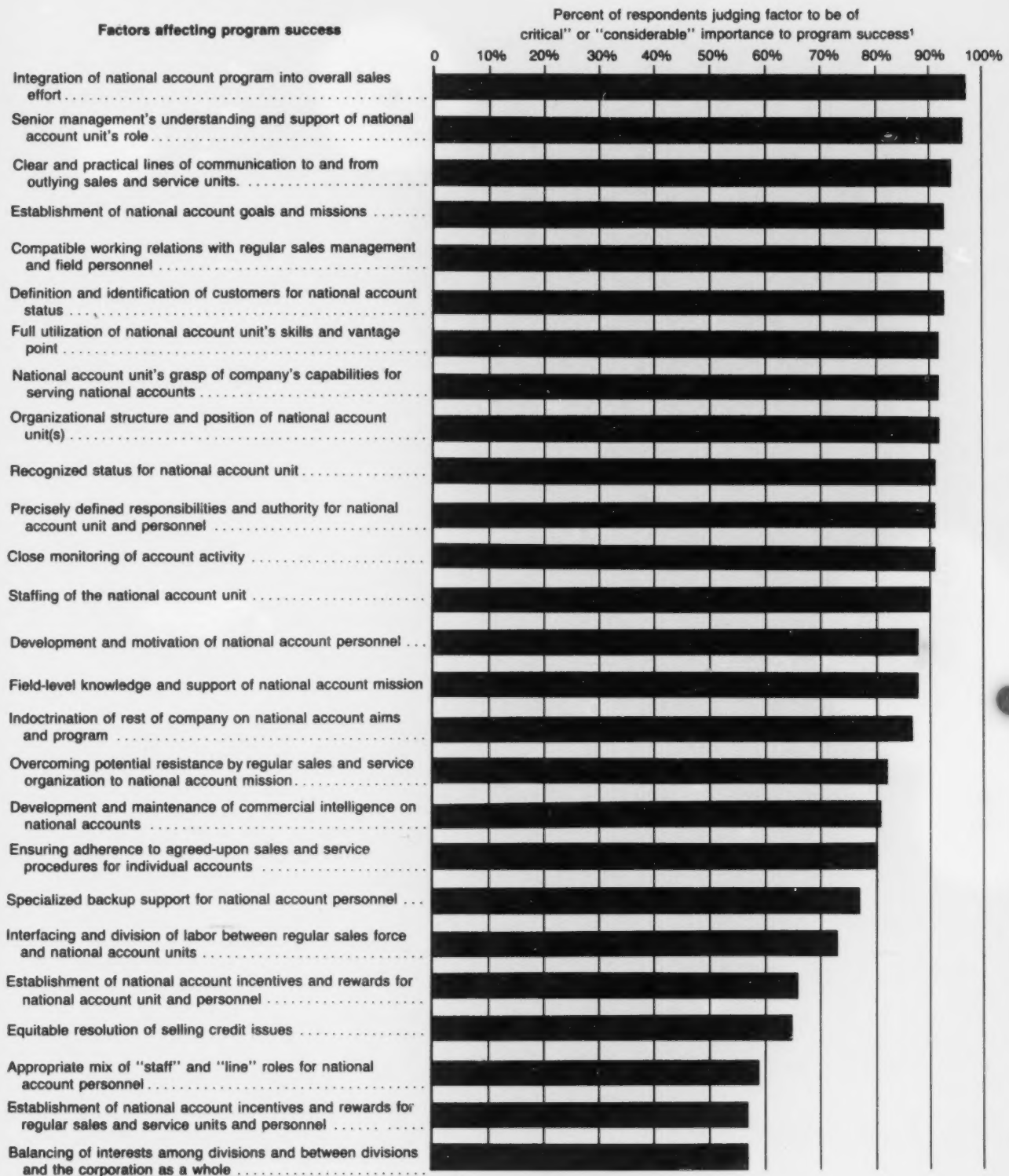
Integrating the Unit into the Organization

It is a widely held view among cooperating executives that, to perform effectively, a national account unit cannot be isolated from the mainstream of its company's marketing efforts. One national account executive explains:

"Most companies are organized to sell by arbitrary geographic boundaries, product specialty, or business unit (profit center). What is needed is a concept that spans this matrix. One of the main answers is the national account concept. The problem is how to blend this type of key account organization with conventional field sales coverage. The major challenge is to find an organizational structure that is compatible and supportive of other business considerations, such as sales territory, profit-center control, and the like."

The successful merging of the national account effort into the fabric of the organization is said to depend especially on such factors as the recognition, blessing and, if need be, intervention of senior management; the quality of the relationship between national account personnel and members of the regular sales and service units; and the education and cooperation of still others in the rest of the company.

Chart 2: Factors Affecting National Account Program Success



¹Based on information for 122 companies.

Relationship with Regular Sales Force

Compatible working relations with managers and field personnel within a company's regular sales organization are judged to be vital for the national account unit by nine out of ten reporting executives. One reason, of course, is that many such units depend on others—especially members of the regular sales and service forces—for the success of their missions.

At the outset, the establishment of specialized national account assignments often generates conflicts with the company's regular sales personnel because of what they see as encroachment on territory that has traditionally been theirs. National account executives are well aware that extra care and give-and-take adjustments are almost always necessary to overcome such initial resistance. Similar precautions may be necessary later to keep field personnel from passing the buck when problems arise in dealing with important customers. These are not always easy tasks, and one executive in four reports a continuing lack of success in developing the smooth working relations desired with regular sales and service personnel. Describing problems of building rapport with the company's field operations, one executive says: "The most serious unresolved difficulty is with the field sales force. They feel that all problems and opportunities must be worked out at the national account level and that their function is merely to service and carry out programs at the local level. Some of this feeling comes from a lack of feedback from the national account managers as to what is going on at the corporate level. We are working to improve this, as well as the field supervision of the sales force."

Given the potential for strained relations, some companies take particular pains to involve their regular field personnel actively in their national account programs at the earliest stages of development. The spokesperson for one such company, which undertook a major restructuring and expansion of its national account program after several years of maintaining a much more modest effort, describes actions taken to engage the support of the regular sales force:

"We had to sell the new program to our own organization. It had to be supported from the top down to the operations groups in the regions and the branches. They all had to understand what was happening and why, and what the values were. It was a process that took place over a period of six months, through meetings and publications setting the groundwork for what was going to happen. The regional managers, who were key to the program and who had been in on the planning process, were given constant updates on the direction in which we were moving and, in essence, signed off on the process step by step."

Other companies have given careful consideration to the organizational links between national account and regular sales personnel in order to overcome internal competition

that might result in reduced effectiveness. A senior executive with Olin Corporation described how his company has achieved cooperation between national account and regular sales personnel:

"We have about 75 sales people, including district managers, sales managers, and sales representatives—not a large number of people. We have 40 marketing people supporting the sales group in various businesses and markets. We have six national account sales managers. The national account sales managers work for a director of national accounts, who reports to the individual who runs the entire sales department. The five regional managers report to the same person. The important fact is that the field sales department and the national account managers all work for the same boss. The national account group does not report to a 'president of national accounts.'"

"The kinds of people are just as important as the structure. Three of our six national account managers were previously either sales managers or regional managers. The management of national accounts at Olin operates on a team approach. The regional manager and the national account manager assigned to a particular account are located either in the headquarters region of the account or at Olin headquarters. They work together and both have performance objectives that are based on the revenues generated by the account. So the national account managers have the responsibility for producing revenue and profits at their accounts, but they have to do so through as many as ten or twelve other people, including sales representatives, service and laboratory people. They are responsible; they manage; and they carry a lot of clout. They are also well paid, with compensation comparable to that of the regional managers, so the position is perceived by the regular sales force as a desirable one—an advancement."

"We find that because of the quality of the people, the reporting relationships, and the high value that a national account job holds in Olin, the sales force likes to work with our national account group."

The equitable allocation of selling credit in those companies whose national accounts are served by both specialized and field contacts has often been particularly relevant in the hammering out of stable, cooperative, intracompany relations. Poorly planned apportionment of sales credit can be a source of conflict; but most companies that have had to find a solution have worked hard to ensure harmony and only 13 percent of the reporting executives say that the issue is not yet satisfactorily resolved. One describes a typical dilemma in trying to make fair assessment of the contributions by different units to a national account sale: "Since major assignments to national account marketing representatives involve team selling, it is essential that a method of accounting be devised so that

¹William T. Rossiter, President, Performance Products and Services Group, Olin Corporation, at The Conference Board's 1981 Marketing Conference.

this program can be evaluated appropriately. In our initial discussions it appears that marketing credit will have to be given at more than one level to adequately ensure team participation and cooperation." (Examples of how different managements have handled such selling-credit issues can be found in the company examples in Part 2 of this report.)

Keeping the Rest of the Company Informed

Among other things, integrating a national account program into the company's regular operations depends on effectively managing a flow of information within the company. Two different kinds of information exchange are said to affect national account success: (1) information that keeps all company units directly involved with national accounts alerted to one another's activities and to current customer situations; and (2) information that helps to educate others in the company regarding the importance of the national account mission and to secure their assistance in accomplishing it.

Because so much depends on the gathering and coordinating of customer-related data, finding manageable ways of getting and disseminating such data is requisite for almost all national account approaches. Many executives cite the related importance of good communications, not only in the national account unit's performance of its regular duties, but also as a means of overcoming potential difficulties arising from the unit's necessary dependence on other company operations. One national account manager, noting the relationship he has observed between knowledge and support in the field, says: "We must continue to communicate our objectives and activities to the regular field sales force. We need their help because they can be the eyes and ears in the marketplace. I believe resistance occurs in many instances because these sales people do not really understand our program."

Some companies have instituted formal communications programs to overcome a lack of visibility experienced by their national account units. Newsletters, announcements of major sales to national accounts, and joint meetings of national account and other sales personnel are some of the ways that have proved successful in publicizing the role, accomplishments and support requirements of national account units.

Defining National Account Roles

Nine out of ten executives surveyed regard the establishment of well-defined missions, responsibilities and authority as primary determinants of success. Offering examples from their own companies' experiences, they point to the pitfalls encountered in establishing a national account program when such aspects are left vague or unspecified. In some cases, the original effort was developed on an ad hoc basis, with little attention given to clear-cut charters for those assigned to it. A specialized unit may have been

Exhibit 5: The National Account Plan

The vice president of national accounts for one company makes a strong case for establishing a coherent identity for the national account program, partly as a means of weaving it into the company's overall marketing effort. In his own firm, the national account unit has seized on opportunities for defining and communicating its mission both to its own people and to the rest of the company as well. Emphasizing the importance of collaborative planning at the operating level, he asserts:

"A good national account plan should be an integral part of a divisional marketing plan. The national account strategy cannot be separate from, but must enhance, the overall marketing goals set for a division. The national account plan must have specific goals and objectives. These goals must be clearly stated and, above all, achievable. An example of specific goals would be:

- Increase revenue in all major accounts from X dollars to Y dollars in the next fiscal year; or
- Obtain X percent penetration of a particular product in all national accounts; or
- Increase gross margins in national accounts by X percent by next year's end.

"These goals must be monitored, measured, analyzed and reported throughout the organization to assess progress against planned objectives. The reporting process to other areas of the company emphasizes the importance of national accounts and makes people aware of their personal contribution to the success of this vital program.

"We have found it necessary to make those responsible accountable, and to inject goals for each region, district and sales territory into incentive programs. National account selling is a key criterion in recognition programs and merit reviews—not only for sales people but for others, including marketing and customer service personnel."

superimposed upon an existing organization structure, with too little consideration of the interrelationships and fit. And expectations may continue to differ throughout a company as to just what a national account program can and should accomplish.

The problem of what one executive describes as "developing total accountability for specific objectives and functions" remains an unresolved issue for over a quarter of the companies participating in the study. Setting appropriate goals relating to national accounts tends to be a particularly thorny problem in companies where national account personnel have primary responsibility for actual selling to major customers.

Executives say that the optimum organizational structuring and positioning of national account units and

assignments is equally important to success. However, four out of five executives surveyed report satisfaction with such arrangements in their own companies.

Despite widespread agreement that well-run programs for dealing with key accounts are characterized by well-defined objectives, assignments and implementation procedures, few of the executives advocate carving the elements of such a program in stone. As one puts it: "A good plan also defines organization as a key element to its success. Our organization, like our account selection criteria, must remain flexible in order to achieve a high degree of success."

National Account Personnel

A fourth key element of a successful national account program is the presence of capable, experienced people in national account assignments. The need, it is said, is for people who are not only knowledgeable about the company's product and service offerings, but also skilled in orchestrating the company's resources to serve its major customers. National account executives tend to give themselves and their own personnel the highest marks in this respect. Heads of sales-oriented operations are the most satisfied of all. One reason, perhaps, is suggested by this typical report: "Personnel selected for appointment to this division were specifically qualified, well-experienced people with abilities consistent with the highly influential accounts designated as 'national.'" By staffing their national account units selectively with insiders having established records of accomplishment, companies hope to gain an edge that will be reflected both in individual performances and in teamwork.

Not all firms, however, are able to recruit national account personnel from within. To compensate for having to bring in outsiders, some companies have had to work harder than others to supply their national account personnel with specialized training, information and materials. As noted previously, a company whose products entail substantial after-sale service and support that must be marshaled from other internal units will sometimes set up a specialized service department to deal exclusively with national accounts. Regular service units often must balance pressures from many sides and, for a variety of reasons, may not be strongly motivated to put national account customers first. Under those circumstances it may be difficult for national account staff members new to the company to obtain cooperation. They lack the personal ties that can often make a difference in influencing those who do not share their sense of urgency. Some companies thus build a national account service department in part to ensure priority for national account needs.

Executives responding in this study frequently cite efforts they have made not only to staff their national account units with superior performers, but also to avoid losing these people to other firms. Some managements

Exhibit 6: Desired Qualities in National Account Personnel

What do companies look for in the individuals to whom they entrust national account responsibility? Some respondents describe the criteria by which they judge potential national account personnel:

"In selecting people for national account assignments, we look for more than just the title vice president or general manager. We look for:

- experience in handling accounts;
- knowledge of the company and its capabilities;
- tact—the qualities of a diplomat;
- good communication skills—the ability to persuade people and to present oneself well; and
- desire for this responsibility."

—A packaging company

"Many of our national account managers have many years with the corporation, many years in the marketplace, and, in some instances, many years in handling the client corporation. Most important in a complex-to-complex environment is their understanding of our own corporation—not simply an understanding of who we are but of what we are and where we are going—and then, in turn, their understanding of the client corporation. If we are to succeed in establishing a planning partnership with our national accounts, we have to do so recognizing the two companies' cultures. So we try to select managers who are culturally matched to their client accounts.

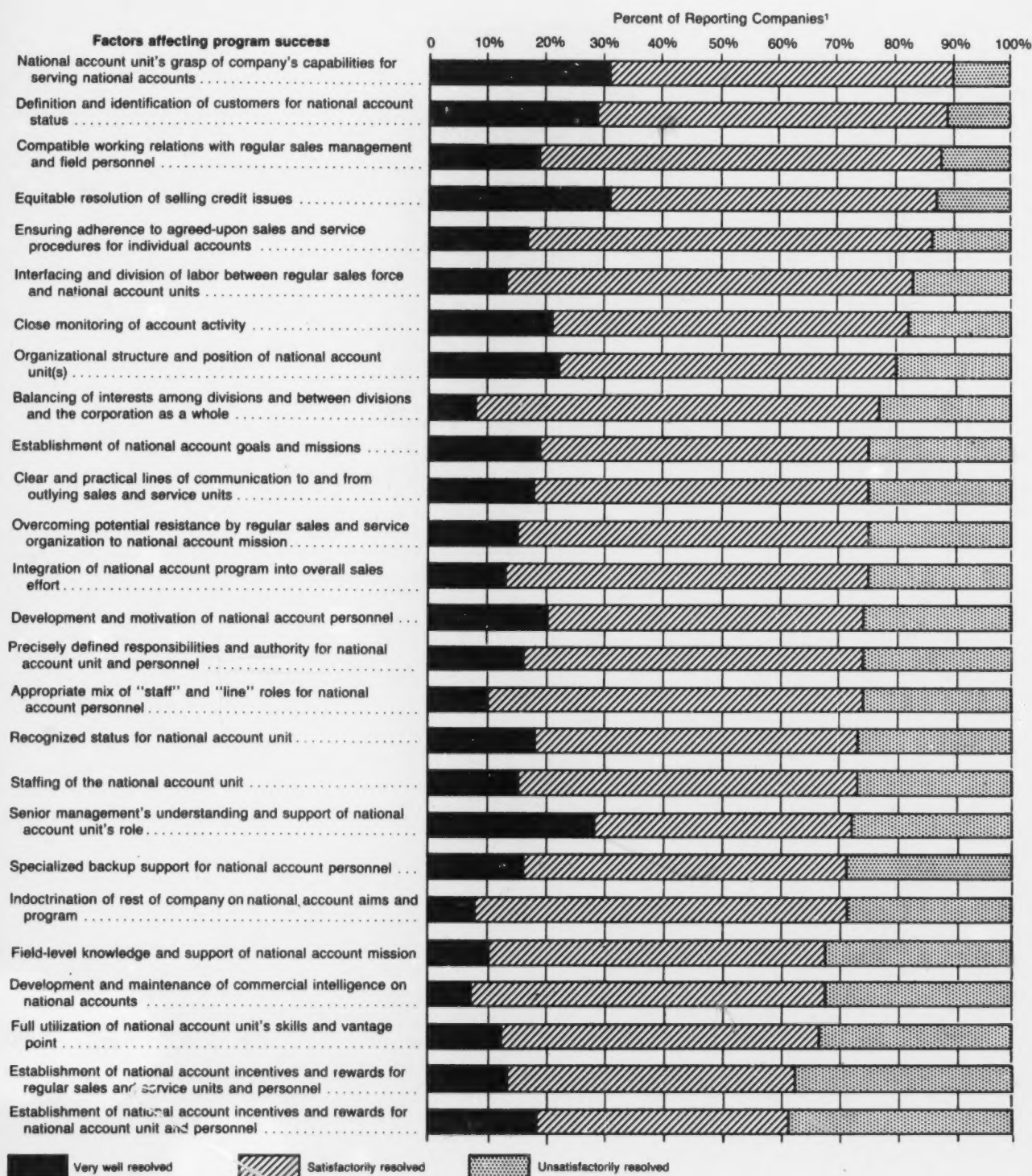
"They must also be successful in dealing with information, not simply as product experts, but as experts in the activities of their accounts—their markets; how they make investment decisions; how they plan."

—A computer manufacturer

have been rethinking potential career paths and remuneration arrangements for their national account personnel. In the case of a packaging company, for example: "There was a tendency for national account managers to want to be plant managers, because this was the only way they seemed to be able to improve their status. We have done a reasonably good job in avoiding that conflict by making sure that financial rewards are adequate. We feel that national account managers are a breed apart and should be sufficiently rewarded to encourage them to continue in that form of endeavor."

However, establishing effective incentives for national account personnel is clearly a major remaining challenge for many other managements. While two-thirds of those reporting rate this a very important ingredient for program success, nearly four out of ten still consider their own companies' incentive arrangements to be unsatisfactory.

Chart 3: Achievement of National Account Program Success



¹Based on a minimum of 90 companies (out of 122) considering the item applicable.

There are often similarly disappointing results in attempts to design suitable incentive systems for a company's regular sales and service units that have significant national account responsibility. Eighty percent of reporting executives manage programs that depend upon the regular sales force for primary coverage of national accounts. Yet many of these companies lack specialized systems for rewarding their sales forces for such efforts.

National Account Benefits

On the whole, the companies surveyed are committed to building sound, ongoing relationships with their major customers and, according to their spokespersons, are well on their way to providing appropriate insight, overview and focus to their marketing efforts directed to those customers. Although numerous challenges remain, especially with regard to integrating national account units with the rest of the organization, most executives responding tend to be well satisfied with the progress and achievements of their programs. (See Chart 3.)

In summarizing the benefits his own company had experienced as a result of its establishment of a national account program, one executive from a diversified industrial-products manufacturer gave a recent Conference Board audience the following list:

"It provides a central source—one contact—for faster answers and quicker service. This often results in additional volume to be obtained and new opportunities to be explored with major customers.

"It provides greater responsiveness to change through stability in relationships.

"It offers improved problem-solving capability.

"It is an aid to long-range planning, enabling us to share information with customers for mutual benefit.

"It provides for greater productivity through more effective use of resources."

A second executive, in describing the similar tangible results of his office equipment company's program, describes what he believes to be the basis for national account success:

"Our scorecard in the sales operation is the value of bookings, services and products per individual. On average, we have seen about 40 percent higher yield across key accounts, based on the influence of the national account program.

"I would suggest that the single, bottom-line goal in a national account program is converting a *customer* into a *client*. What is suggested by that word 'client' is a long-term relationship—a planning partnership, a better way of doing business for the corporation providing the service and for the corporation using the service."

Part 2: Company Examples

American District Telegraph Company

American District Telegraph Company provides security systems and services to businesses for protection against crime and fire losses. Its products range from small, bell-alarm installations to million-dollar, computerized operations. The company embarked on a national account program prior to World War II, and substantially expanded the effort in the early 1950's. Over the last thirty years, the program has grown steadily and has been adapted to fit the changing requirements of the company's markets.

ADT began the most recent expansion of its national account program in response to the move by many major corporations to build more geographically widespread facilities while, at the same time, maintaining corporate control over operations, purchasing, insurance and security—those functions most often either directly responsible for, or influential in, making a company's security purchases. The preference by these companies, both then and now, has been for what ADT calls "one-stop shopping."

Although most of its national account customers are present on the *Fortune* 500 list of the largest industrial corporations, ADT does not necessarily limit its national accounts to that list. Some of the elements considered when conferring national account status on a customer include:

- The size of the customer's initial purchase of ADT products;
- The size of the customer's recurring annual service charges;
- The broad geographical distribution of its facilities;
- The nature of its corporate purchasing procedures—either centralized purchasing, headquarters approval, or headquarters influence on local purchasing decisions;
- The prestige or reputation of the customer; and
- The financial position of the customer.

Organizational Structure

The national account division is staffed by thirty-nine account managers, nine of whom are assigned to ADT headquarters in New York. Of the headquarters group, eight each manage approximately fifteen accounts with corporate headquarters in the area. The ninth is an "account

manager at large," whose basic function it is to work on special domestic and foreign sales assignments. He interfaces closely with the thirty other account managers, who are located throughout the country in the headquarters regions of the accounts to which they are assigned.

The nine home-office account managers report to the director of national accounts who, in turn, reports to the senior vice president of marketing. The thirty other account managers are members of the ADT field organization; they work directly for local management and have a dotted-line relationship to the director of national accounts.

The ADT headquarters national account staff includes two "systems account managers," with backgrounds in both engineering and business administration, who lend technical assistance to the national account managers in planning system configurations, estimating, conferring with customers prior to bidding, and making final sales presentations.

ADT corporate officers, including the chief executive officer, are also assigned one or two major accounts, to which they make at least one annual visit. These visits serve the purpose of communicating ADT's interest and appreciation of its business to the customer, and also allow the senior executives to learn firsthand what a customer thinks of ADT.

Activities and Functions

National account managers are direct sales personnel. They are compensated with a base salary plus an over-quota commission, paid on a quarterly basis when the quota set for that quarter has been exceeded. ADT management attempts to match the experience and style of the account manager with his or her customers in assigning accounts. In some cases, an account manager will deal exclusively with a vertical market, such as fast foods, automobiles, chemicals, pharmaceuticals, banking or supermarkets. Others carry a mixed group of accounts. It is common practice in most accounts for security purchases to be made jointly, so national account managers must be able to call on and sell to vice presidents in their customers' finance, insurance and security operations.

In addition to selling ADT's products and services to their assigned accounts, national account managers are also expected to oversee all installation, maintenance and billing of the systems they sell; to introduce new products;

*Source: Adapted from an address by George V. Roach, Director of National Accounts/General Manager, Special Sales, American District Telegraph Company, at The Conference Board's 1978 Marketing Conference.

to confer with customers on new needs; to funnel requests from customers for new applications to ADT's research operations; to obtain advice and assistance for customers from ADT's engineering group; to gather competitive information; and, perhaps most important, to establish and maintain close rapport with their accounts.

It is the nature of ADT's business that a single security sale—a burglar alarm system, for example—is quite often only the first step in a series of further sales to a customer at both the target premises and other sites. It is, therefore, the account managers' job to stay on top of their accounts, getting feedback not only to assure their customers' satisfaction, but also to capitalize on opportunities for further business.

Team Selling

Although they bear primary selling responsibility for their accounts, quite often national account managers do not work alone. They frequently work closely with either members of ADT's regular sales force or with other national account managers, as the situation requires.

While many sales to national accounts are made through a customer's home office, there are instances when the preferences of a customer's local facility must be taken into consideration. In those situations, the national account manager will call on the assistance of ADT's territory sales representative serving the area where the account's outlying site is located. The sales representative reinforces the account manager's corporate sales effort by calling on the customer's local managers—giving them the information and attention that can often tip the balance in ADT's favor. When a sale is made, the territory sales representative and the national account manager will split the commission.

Some of ADT's national accounts have undergone decentralization over the years, establishing regional offices in various parts of the country. One such company presented a challenge to ADT's organizational system for managing accounts. Decisions regarding all new construction for this firm emanated from its corporate office, and ADT's national account manager was able to secure a sizable proportion of the business for the security systems for the company's new sites. After the construction was completed, the facility was turned over to the customer's local regional manager, and the account manager's influence on further purchases was considerably watered down, resulting in a loss of business for ADT. Although ADT's territory sales representatives were able to assist, there was still a need for more intensive coverage at the customer's regional offices—account-type selling that the territory representatives could not provide.

As a solution, ADT management assigned national account managers located near the customer's regional of-

fices to work with the account manager with primary responsibility for the customer. That manager directs and coordinates the selling and servicing efforts of the others. This approach has been so successful in gaining new sales that it has been extended to other customers with similar decentralized operations.

Quality-Assurance Program

Since the loss-prevention business is primarily service oriented, ADT management believes that good communications with its customers must be a key element in its marketing and sales strategy. Several years ago, the company introduced a program of quality assurance to promote such communication with its national accounts. The primary functions of the quality-assurance program are to audit the quality of service provided to major customers; to motivate ADT personnel to maintain excellent service standards; and to institute corrective action where required. Under the direction of the national account manager, a quality-audit team routinely visits the facilities of a key customer in several cities and works with the customer's local management, measuring service quality; recommending changes in procedures; and following up in areas of poor performance. Developing sound working relations with ADT nonsales personnel, who install and service ADT equipment at the local level, is another skill required of national account managers. The quality-assurance program has reportedly met with considerable success in the eyes of customers, and it has also saved business that had been in serious jeopardy.

The Account Manager at Large

The account manager at large has special duties. The position was created in 1978 after senior management realized that the company was losing out on major opportunities for securing profitable business in certain industries, locations or applications that did not fit into the category of a national account. Not willing to deflect the energies of the regular national account managers from their focused assignments, management hired an individual with flexible skills who could work as a team leader in going after unusual, but desirable, business—for example, an opportunity that was not security related, but where ADT equipment was nevertheless applicable. The manager at large also collaborates on projects with ADT's European and Middle Eastern representatives, acting as the coordinator for the home office disciplines required to assist in making a foreign sale.

ADT reports that, after more than forty years, its national account program continues to elicit enthusiasm and support from the company's major customers, who know there is one person to whom they can turn when they need information or assistance.

Commercial Services Group, Automatic Data Processing, Inc.

A computing services firm, Automatic Data Processing provides recordkeeping and management-information systems services to over 100,000 commercial accounts. Its largest single business is payroll processing, but it also provides computerized accounting services for the general business community. Additionally, ADP has vertical business units that offer computing services for the dealer, brokerage, insurance and financial market segments.

The company has grown rapidly, including the acquisition of many small geographically dispersed service companies throughout the United States. Many of these companies retain considerable autonomy, operating as profit centers with their own operations and sales efforts. A basic ADP management principle is that "a decentralized structure with highly talented local management promotes the best decisions, the best attitudes and optimum responsiveness—all critical to a people-intensive service business." The Commercial Services Group, a supplier of payroll and accounting services, is ADP's oldest and largest component and generates over half of the company's revenues. Traditionally, the Commercial Services Group's market consisted of companies with 20 to 1,000 employees. However, several years ago, ADP expanded its target market to include companies with five or more employees on the small end and to include companies with over 1,000 employees at the large end. The larger market of over 1,000 employees (and a second market tier of those with over 500 employees and more than one location to be serviced) now constitute the primary arena for national accounts.

Two other groups within ADP—the Dealer Services Division and the Network Services Division—have their own national account efforts, but these programs are relatively smaller and basically unrelated to the efforts of the Commercial Services Group.

Origin of the Program

The ADP national account program became a reality following senior management's decision to broaden the target market to encompass larger companies. Different requirements for both selling and servicing these accounts within a highly decentralized structure also became very apparent. The actual loss of one major client due to inconsistent treatment in different regions was a catalyst to reconsideration of how best to market to such accounts.

Headquarters management—which generally keeps a low profile while fostering a strong entrepreneurial spirit and regional identity—now decided to initiate a coordinated national account program. Initially, corporate-funded specialists, reporting to division sales executives, were assigned to support the field in marketing to large accounts. Described internally as "a high-powered sales force," and not as "account managers" or "coordinators," their primary mission was to sell.

The newly created national account management group set out to develop the tools necessary to penetrate the new target market. It began with a survey of the needs of large clients. One significant item the survey revealed was that clients with facilities in different geographic regions were displeased with different pricing and service levels from one locale to another. Customers also voiced concern about the experience of the sales and service force. What was needed in each case was a single, well-informed ADP contact who could assure the client of like systems, reports and level of service throughout the country.

Over a period of six years, national account management worked to create a program that would enable ADP to identify, sell and service the continuing computing needs of large accounts. The resulting program has five major features:

- (1) An extensive data base of clients and prospects;
- (2) A flexible organizational structure that adapts to changing market needs;
- (3) A highly trained sales force;
- (4) An effective client services organization;
- (5) An intracompany communication and recognition system that fosters the national account effort.

National Account Data Base

Utilizing autonomous operating units has many benefits but can also create the primary reason for the inconsistent service reported by large customers: Local sales representatives were often unaware of business arrangements finalized in other regions. There had been no systematic way to disseminate information concerning a multiregional account to all offices.

To fill this void and, additionally, to provide a resource for identifying prospective business, management developed a data base which today is an essential compo-

nent in the national account program. This data base combines purchased information from Dun & Bradstreet (with details relating to each division of a prospective or client corporation, including the location of outlying units and the number of employees per location) with internal information from ADP's own billing files (spelling out, for example, which of a company's divisions are prospects and which are active or terminated clients; which ADP products the active clients have purchased; and what revenues these purchases have produced). From detailed analysis of the information contained in the data bases, national account management is able to identify fast-growing market segments and primary targets for future national account sales. A terminal network allows immediate access to the data base for appropriate personnel.

Evolution of the Sales Organization

The structure of ADP's national account unit has evolved continually since the program's inception. At the outset, the unit was located organizationally within headquarters and was headed by a vice president. The vice president of national accounts reported to a senior vice president, who in turn reported to the president of the Commercial Services Group. The national account unit was one element of a staff component including bank marketing, government marketing, and a special Canadian marketing effort. There were no field national account personnel.

The sales organization served by the national account unit was, and still is, highly decentralized. The Commercial Services Group consists of four geographic divisions, each with a division sales executive reporting to a division president. Within every division, there are multiple, geographically dispersed processing regions, each with profit-center status and regional sales and general management executives. In all, about 700 commissioned sales personnel report to the regional sales executives.

The national account unit staffed its first field efforts with "divisional specialists" selected from the existing sales organization. Their role was to support the field organization in selling to large firms. They were compensated from corporate funds, rather than by the profit centers they served, and participated in an incentive system separate from the field sales force. The initial field reaction to this arrangement was mistrust, with expressed concern about recognition and credit for major sales. Several years later, national account management added to this approach by introducing regional "national account specialists," who were recruited, selected and managed by the field. Credits for sales to a major or national account were then split 50-50 between the national account specialist and the field sales representative serving the account. Later, modifications to this policy were instituted since the 50-50 split did not always reflect the appropriate effort in all situations. In certain large regions, so-called "national account

specialists," who previously had served in more of a sales-support capacity, evolved into full-fledged "sales representatives" with sole responsibility and credit for sales made to the named, large accounts assigned to them.

During the evolution described above, the program underwent additional management restructuring as growing national account sales began to account for a significant portion of the Commercial Services Group's revenues. For example, national account division vice presidents, reporting to the headquarters vice president of national accounts, were named for each division. Reporting to these executives on a functional basis were the regional sales specialists who had responsibility for national account sales. In smaller regional offices without designated national account sales responsibility, the national account division vice president assisted the local region with major opportunities.

Most recently, ADP took the ultimate step by creating a separate division dedicated to national account sales and service, giving it equal organizational status to the group's four geographic divisions. This group is directed by a division president supported by vice presidents for sales, finance and operations, with a support staff of approximately 75 personnel. The division separately manages some very large accounts, but still retains much of its primary focus of functional support for field efforts to major or national accounts. This unit now has revenue responsibility for two functions: custom programming and the National Communications Network, which consolidates geographically dispersed client-management information. The finance group also conducts pricing reviews and provides centralized billing on client request.

Training and Development of Personnel

When ADP introduced the national account program for the Commercial Services Group, management also recognized the need for specialized training. Upon appointment, every national account sales representative participates in advanced training courses focusing on the psychology and practices of selling to large accounts. Each sales representative receives course material that is used later as a reference source on ADP's national account policies and procedures. The material defines each national account activity, desired frequency, and the responsible parties. The material further defines resources needed when preparing for and calling on national accounts.

National Account Client Services

The vice president of national accounts has described the client services operation as "the glue that holds national accounts together." As national account sales personnel proved successful in selling large accounts, it became apparent that parallel service support was also needed for such accounts. As a result, there are client service-support teams within the national account unit at corporate head-

quarters and each of the four geographic divisions headquarters. Additionally, the client services function provides final review and coordination of national account sales orders before distribution to local offices that will be serving the multiple locations of the national account. This review insures product and pricing consistency to the client, both initially and for required modifications.

Communication and Teamwork

Approximately 150 people are involved regularly with ADP's national account activities, but only 75 are under jurisdiction of the president of the national accounts divi-

sion. To promote a sense of teamwork and commitment, the concept of a national account program was and continues to be sold internally as well as externally. The program has enjoyed the continued support of ADP's top management since its inception. A key ingredient to the program's success has been that members of the national account staff have been recruited from the ranks of the field organization.

Internal recognition for national account efforts is communicated by timely announcements, called "Sales Flashes." Such announcements summarize pertinent sales information but, more importantly, give full recognition to members of the team that made it possible.

Clay Adams Division, Becton Dickinson and Company

A manufacturer and marketer of diagnostic equipment and supplies for medical laboratories, Clay Adams sells its products through an extensive distributor network. The company supports that network with both a field sales organization and a recently established national account operation, as part of what it calls its "special accounts program." In a demonstration of the flexibility and broad applicability of the national account approach, the company's management designed a solution that deals exclusively with distributors as major accounts.

History

Clay Adams sells to two distinctly different markets through two different types of distributors. The larger group consists mainly of regional distributors that sell Clay Adams' highly technical diagnostic equipment, as well as laboratory supplies, to what is now the company's primary market—small diagnostic laboratories, such as small independent labs or those found in physicians' offices. Sales representatives of these regional distributors depend upon Clay Adams field representatives to provide not only the technical expertise needed to close a sale but also the after-sale training and service required to maintain such customers' business. Four national distributors serve Clay Adams' secondary market—hospitals, independent laboratories, industrial research laboratories, and educational institutions. These four distributors carry roughly half of Clay Adams' products—a completely different line not sold by the regional distributors. These products are mainly frequently replaced clinical equipment and supplies that are normally purchased by end users from catalogs. The national distributors look for appropriate merchandising and incentive programs to help them promote Clay Adams' products but, because of the nature of the products, their sales representatives require minimal point-of-sale efforts beyond Clay Adams' catalogs.

Deteriorating relationships with both categories of its distributors recently caused Clay Adams to reevaluate both its strategic direction and the methods by which it did business with its distributors. Decisions were made to repair and renew the weakened ties to the national distributors and, at the same time, to make the small diagnostic laboratory market a primary target and to redirect substan-

tial company resources toward those distributors that served it. The emphasis on this market segment was triggered by environmental factors that were signaling new growth in this area as well as by Becton Dickinson corporate management's assignment to Clay Adams of the responsibility for providing access to the small laboratory marketplace for products from other Becton Dickinson divisions.

The company took steps first to reassure distributors of its commitment to them by divesting itself of a direct selling operation that had previously handled products not sold by either class of distributors. Although that sales force had not competed directly with distributors, it had nevertheless taken some management attention away from the needs of the distributor networks. From the standpoint of the distributors, it had also represented an implicit threat that Clay Adams might someday elect to sell all its products direct to the user.

Traditionally, Clay Adams had counted on each of its regional managers not only to oversee the work of field sales representatives but also to look after selected distributors from both groups having headquarters offices in the manager's region. There proved to be limitations, however, to what a regional manager could accomplish in this regard. They were expected to bring expertise and strategic perspective to major distributors. However, the managers often lacked visibility and access beyond regional boundaries, as well as the time and incentive necessary to maintain the close ties required for success. In fact, their day-to-day activities precluded such longer-range concerns.

Recognizing that such a system had contributed to the poor condition of distributor affairs, Clay Adams initiated its special accounts program for dealing with major distributors and, in 1981, appointed four individuals to serve as "account business managers." These account business managers took on responsibility for both the four national distributors, which combined have about 90 sites, and for designated "key" distributors in the small laboratory market. In general, these key distributors are those with large, multibranch operations of six or more sites, although some single-site and small distributors that are considered influential in their areas have also been targeted by Clay Adams as important to the company's success.

The first role played by the newly appointed account business managers was to assist Clay Adams' top management team—the division president, the general manager, the vice president of sales and marketing, and the director of sales—in visiting both the national and key small laboratory distributors. The purpose of the visits was to probe particular problems they were experiencing that might have led to the strained state of affairs in the distributor networks. As a result of these efforts, Clay Adams was able to institute a number of operational changes that addressed the most pressing matters of concern to the distributors, and then to launch the special accounts program in full force.

Function of the Account Business Managers

The main mission of the account business managers is to act as business managers and consultants, not as sales representatives, to their distributor accounts. Working directly with management in the distributor firms, they convey the message that Clay Adams considers the distributors to be partners. In the words of Clay Adams' senior management, the account business managers are "selling the company, not the products"; and they carry out their charter in a number of ways:

(1) By setting up programs that enhance the ability of the distributors to sell Clay Adams products. Examples include: cooperative advertising programs that provide distributors with camera-ready promotional materials for producing custom mailings to generate sales leads; and incentive programs for a distributor's sales representatives, which are designed to complement the distributor's own compensation system.

(2) By fostering good working relations between the distributors and the Clay Adams customer service department.

(3) By alerting distributors to Clay Adams' strategy, industry changes, and technological developments.

(4) By observing distributors' operations and plans and determining how best to achieve their congruence with those of Clay Adams.

Account business managers also occasionally take on special assignments to capitalize on unusual opportunities; for example, in a scenario recently typical for the industry, a new distributor organization may be formed after the financial failure of an old one. In such a case, an account business manager may be sent in to assess the possibilities and appropriateness of doing business with the new organization.

The account business managers are compensated by salary, plus incentive payments based on the growth of sales to accounts for which they are responsible. Their success in developing effective promotional and incentive programs with distributors is also considered in assessing their performance. A continuing fact of life, as one Clay Adams executive puts it, is that, "a national accounts guy has a

tough time demonstrating exactly how effective he is. There is a fair amount of investment up front. He must put in the time and effort and analysis and work and contacts and agonizing. And he must realize that, in the first year or two, he's probably going to wind up with not-quite-demonstrable success." In recognition of the longer-term effects of a national account effort, management intends to move away from so much reliance on pure sales-volume goals and more toward emphasizing account profitability in rewarding performance.

Organizational Relationships

Both the marketing and sales organizations at Clay Adams report to the same vice president. (See the accompanying chart.) The responsibilities of the two are split as follows:

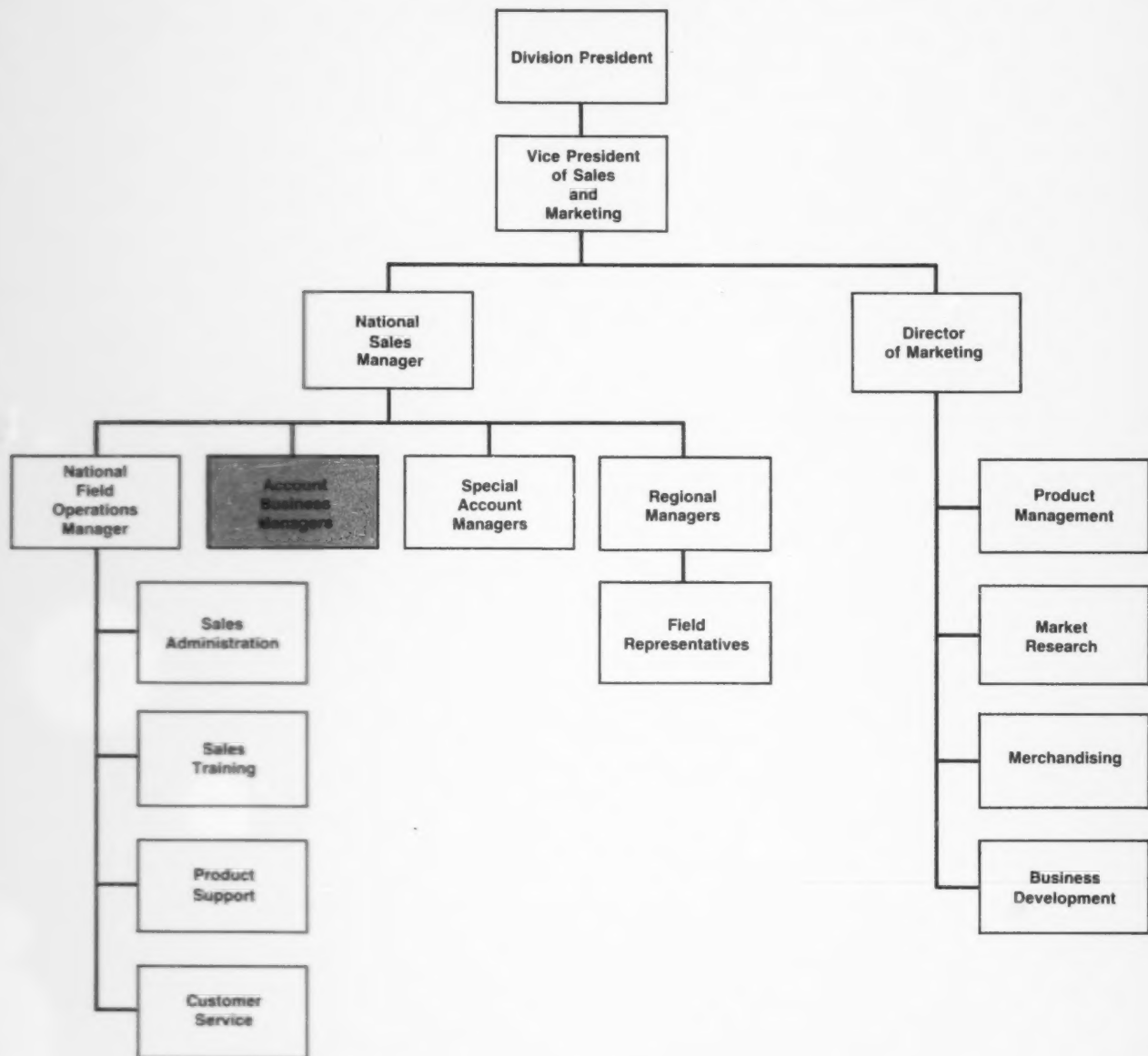
- The marketing function provides product management; merchandising support; business development; and market research and strategic business planning.

- The sales function has responsibility for sales administration; selling to distributor accounts, special accounts, and government accounts; sales training; customer service support, which at Clay Adams means the processing of distributors' orders and follow-up shipping; and technical services. (The company's technical representatives in the field and those at headquarters who respond to inquiries to an "800" telephone number are medical technologists who deal mainly with end users of products—as in the physician's office, for example.)

The account business managers are members of the sales organization. Originally, they reported to a national manager of field operations, who was also in charge of sales administration, sales training, and members of a special group of sales personnel used as a mobile task force. Following reorganization, both the account business managers and the regional managers now report to a national sales manager.

When Clay Adams first established its special accounts program, it was recognized that the account business manager, playing a cross-regional role, could possibly be perceived as an intruder upon the regular sales unit's territory. To forestall such a reaction, management took certain precautionary steps. The regional managers were considered pivotal to the successful acceptance of the program, since it was they who would still be directly responsible for selling to the company's distributors. Cooperation between the regional managers and the account business managers was fostered by the fact that both were to be measured and rewarded on their dual effectiveness in dealing with an account. Management also encouraged them to work out together any problems that might surface, rather than to turn to headquarters for resolutions. Both managers have direct contact with their shared accounts, which seems to have further encouraged mutual dependency and support.

**Marketing and Sales Organization
Clay Adams Division,
Becton Dickinson and Company**



When the special accounts program was introduced, management included the regional managers in several meetings designed both to inform them and to gain their support. It brought in outside experts to explain and clarify the national account concept to the regional managers, because a common perception in the industry had been that a "national account" manager was someone who mainly took care of bids and contract business. The account

business manager positions were filled by mature individuals, who had already gained the respect of the regular field organization. A joint meeting of regional managers and account business managers was held to encourage a peer relationship. Management believes that it has successfully integrated the special accounts program into the company's field operation, mainly because the individuals involved "see the benefit to one another of cooperation."

Campbell Soup Company

The Campbell Soup Company in 1979 inaugurated a national account program in a segment of the grocery products market, where such an approach to major customers is still relatively rare. Although the retail food industry is dominated by large supermarket chains and wholesalers that are at least regional, and often national, in scope, purchasing decisions are generally made at local levels. Campbell's decision to launch a national account effort was based on its perception of the *influence* wielded by the corporate headquarters of its key accounts over their outlying units. It was felt that a link between senior executives at Campbell and the customer companies would have long-term benefits at the field level.

Campbell's national account effort is conducted by a vice president of national accounts, who calls on members of headquarters management of selected customers, among other duties. At present, there are 14 national accounts, but there are plans to expand the program to 25 in the near future. There are several different categories of customers within the national account group, including a few large retail supermarket chains that exercise some measure of control over decisions made by their local units; cooperative wholesalers, which are owned by the retail outlets they serve and on whose boards supermarket owners sit; "voluntary" wholesalers that provide warehousing services to independents and smaller chains; and convenience store chains, a growing factor in the food market.

In order to qualify as a national account, a customer must meet certain criteria. It must purchase a specified minimum annual volume of product cases; it must have recognition in the industry as important and innovative, and be an active participant in trade functions; and it must possess a large number of selling outlets in more than one region of the country.

Activities

The main objective of Campbell's national account program is to establish a dialogue between the company and the customer. This can be a highly competitive task, since it is common industry practice for top executives in many major retail chains and wholesale firms to have direct contact with only a limited number of manufacturers.

Campbell has found a semiannual business review that it conducts with key executives in its national accounts to be an effective vehicle. Information presented in these reviews includes sales data from Campbell's own records, reports purchased from outside sales tracking services, and intelligence obtained from questionnaires completed by Campbell's field sales personnel. (See the sample questionnaire.) To start with, there is an overview of the account's purchases of Campbell products, with competitive comparisons; and its participation in any special merchandising programs sponsored by Campbell. Specific items summarized include case and dollar purchases of each Campbell item; merchandising allowances; major differences between the stocking practices of the customer and its competitors; advertising activities; backhaul allowances; and a review of competitive market conditions.

Preparation and presentation of the national account business reviews is a major activity of Campbell's vice president of national accounts. He also works in other ways to keep lines of communication with customers open. For example, he encourages their participation in special promotions; he seeks to resolve problems that have not been satisfactorily handled at the field level; and he communicates changes in Campbell policy (regarding, for example, spoilage or selling terms). It is also his job to develop Campbell's sales and marketing personnel into a more professional team for serving national account customers, and to act as liaison between those customers and Campbell's marketing personnel. And it is he who establishes the criteria for selecting national accounts.

Organization

The Campbell Sales Company is in charge of Campbell's marketing and sales. Reporting to its president, along with the vice president of national accounts, are the vice presidents of Campbell's three primary product lines—canned foods, frozen foods, and food service. As shown in the accompanying chart, these product lines are organized into geographic divisions, with five each for canned and frozen foods, and four for food service. The divisions, each headed by a division manager, are further divided geographically into districts. A district manager, the supervisor of sales representatives at that level, is also respon-

Example of Field Questionnaire to Be Completed by Regular Sales Personnel

Business Review Commentary

Customer _____ Period _____ District _____

Commentary: Be specific—give reasons why business is + or —, attitudes toward national brands, private label, generics, new items, promotions, pricing policy, area leader, aggressiveness, etc.

New items purchased current year:

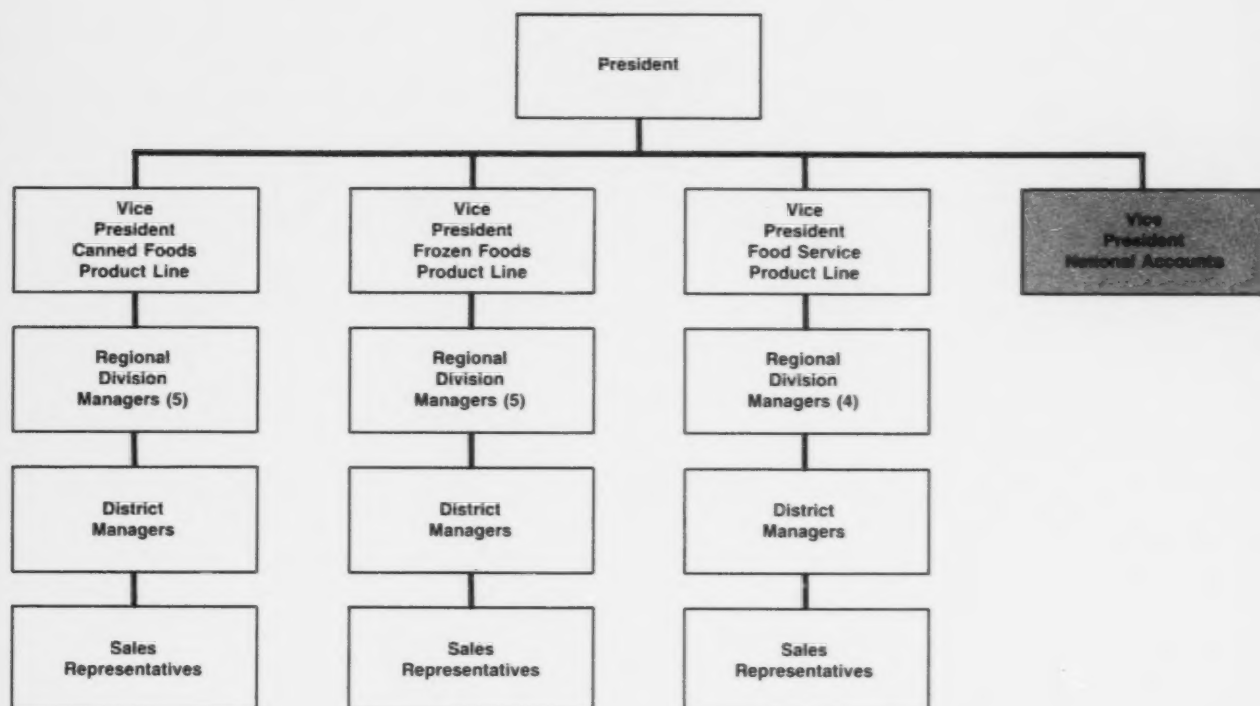
1Q	2Q	3Q	4Q
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Major competitors (Name)

1. _____
2. _____
3. _____

Did customer participate in "Labels for Education"?

Campbell Sales Company



sible for calling on the regional headquarters of any retail or wholesaler chains located in the district. Safeway, for example, the largest retail chain in the country, has 2,400 outlets divided into 21 divisions, and district managers of the Campbell Sales Company maintain contact with headquarters executives in all these divisions.

The vice president of national accounts is a staff position. Because no purchase decisions are made at the corporate headquarters level of accounts on which he calls, his actions are in no way seen as a competitive threat by those in the field. To foster cooperation and a sense of teamwork further, the various reviews and field surveys involving national account business are shared with the

Sales Company's product vice presidents and division managers; and the district managers also participate with the vice president of national accounts in his presentation of reviews prepared for national account customers.

Management regards the response of Campbell's major customers to its national account program as encouraging. Reactions to the business review effort, for example, are reported to have been very favorable, with customers often making changes based on recommendations made in the reports. One result is that the company plans to expand the program to cover more accounts, and to include more Campbell Sales Company personnel as part of the national account team in the future.

Norton Company

Norton Company, a diversified manufacturer, is best known as a leading producer of industrial abrasives and of diamond drill bits for the petroleum and mining industries. The company also produces other equipment and supplies services for the petroleum and mining industries, as well as industrial ceramics, specialty plastics, and chemical process products for other industries.

Norton is organized into three business groups: abrasives; petroleum and mining equipment and services; and diversified products. A national account unit operates at the group level within the abrasives group. All marketing and sales functions for industrial abrasive products are carried out by the abrasives marketing group, of which the national account unit is a part.

Selling responsibilities within the abrasives marketing group are carried by a direct sales force and an extensive distributor network. Only a small proportion of the company's abrasives products are sold directly to users. These are generally highly technical products for special industry segments. Norton's distributors serve the majority of national account customers' needs, and they play a key role in the national account program.

Background

Norton's national account program began in 1972. At that time, management in the abrasives marketing group recognized that some accounts required headquarters-level contacts, and that responsibility was assigned to the individual then holding the position of manager of distribution. He began with four national accounts and eventually carried fifteen.

The acting national account manager's mission was to negotiate all corporate-level agreements. He did business with most of his customer contacts via the telephone, only making yearly calls in person to renew existing contracts. The majority of his time was spent in his role as manager of distribution. Here it was his mission to insure that Norton was doing the right things to enhance its value to industrial distributors.

When that individual retired, management created a separate, full-time position to manage the national account activity. Under a new national account sales manager, two categories of accounts were defined: "national" and "major." National accounts were customers with corporate-

level purchasing and multiple-plant usage locations that crossed over Norton's regional and district boundaries. "Major" accounts were other large manufacturers with substantial potential for use of Norton's abrasives products. The manager placed equal emphasis on both types of accounts and got out into the field to visit the accounts in person.

Price pressures and more sophisticated pricing practices were only part of the reason for establishing Norton's national account program. Customers' desire and ability to improve their overall productivity, of which price is only one element, led to a more complex customer-vendor relationship—complex for several reasons:

- (1) Geographic dispersion of customer locations;
- (2) Functional dispersion of customer buying influences; and
- (3) Need for multilevel selling contacts between customer and vendor.¹

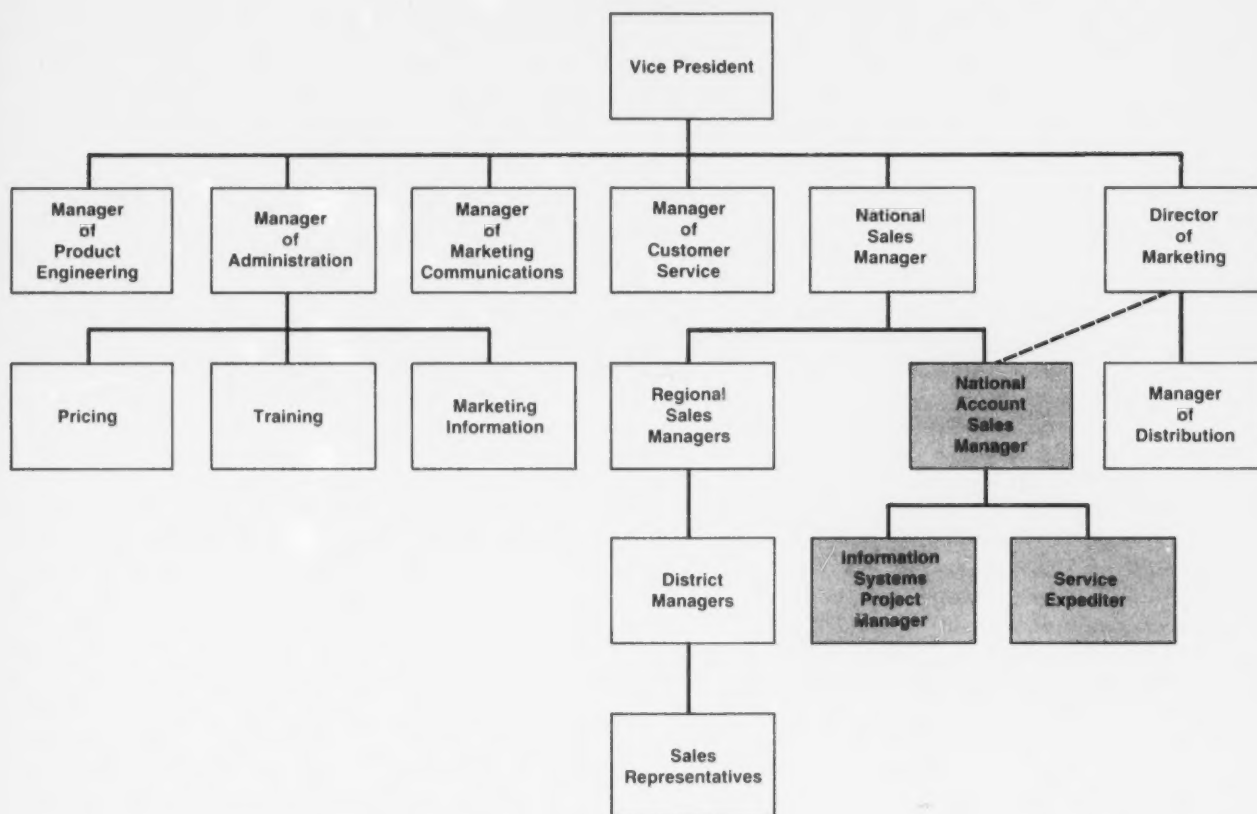
These complex business relationships have to be managed and coordinated; and Norton recognized that, in doing this effectively, there would be rewards for customers and Norton alike.

A new national account sales manager continued his predecessor's practices, and the scope of the national account program was now broadened in several ways:

- The role of the national account sales manager was expanded from one of being simply the "corporate contact" to that of serving as coordinator of a team-selling approach involving both Norton field sales representatives and customers' plant personnel.
- The national account program was enlarged to include customers that have multiplant locations within more than one Norton sales region but do not have purchasing-decision makers at corporate level. The national account manager does not negotiate national agreements with these customers, but he does coordinate a team selling to these accounts to insure Norton is consistent in the way it deals with the account. A strategy is developed for that account. Good communications keep all Norton's sales people abreast of any new trends developing at that account.

¹The company cites these reasons as summarized in Benson P. Shapiro and Rowland T. Moriarty, *National Account Management: Emerging Insights*. Cambridge, Mass.: Marketing Science Institute, 1982.

Abrasives Marketing Group Norton Company



- With the help of the field sales organization the national account unit developed a computerized data base reflecting both historical and potential account activity. This data base is periodically updated and special reports can be programmed for accounts at almost any level of detail—for example, sales by locations, sales by products, total corporation sales, and so on. (For a more detailed description of this data base, see p.6.)

- The national account unit began to function as a consultant to the field sales force in difficult sales situations. It proved especially helpful at the home office when service was needed that was not part of the normal routine. The unit now has sufficient clout to commit resources in support of national accounts or major accounts.

Organization and Communication

The present national account sales manager reports to the national sales manager for Norton's abrasives marketing group, with a dotted-line relationship to the

director of marketing. (See the accompanying chart.) Both formal and informal lines of communication with the selling organization are considered vital to all concerned. The national account sales manager meets weekly with the group's three regional sales managers and with the national sales manager, and monthly with the vice president who heads the group.

The national account sales manager has about three decades of experience with the company; and, in fact, it is rare to find an outsider anywhere at management level in the sales organization, since Norton prefers to promote from within. Such long tenure for the manager provides the basis for the kind of trust that makes possible his coordination of selling teams over which he has no direct authority.

Functions and Activities

The main mission of the national account unit at Norton continues to be that of negotiating national agreements

with those customers that meet Norton's description of a national account. These are:

- (1) Multiplant locations;
- (2) Large abrasives potential; and
- (3) A corporate entity that has "the clout to make things happen at the satellite plants."

When considering a company for national account status, the national account sales manager first surveys members of the field sales force in areas where the customer has plants. In each case, he is interested in the plant's potential as a purchaser of Norton products, Norton's relationship with the plant's buyer, the local competitive situation, and whether a national agreement will help the local sales representative to increase sales at that level.

Based on information gleaned in this way, the national account sales manager must decide whether to pursue a national agreement with the customer. He does this in consultations with and with the agreement of the field sales managers. He then continues his investigation. The national account sales manager also contacts the fifteen product managers in the abrasives group's five profit centers to determine their knowledge of the account. This includes information about the customer's product testing, experience with Norton products, product needs, and pricing. Within his own department, the manager has access by computer to other data on the customer's purchasing history and potential, by product line and by user plant.

Before finally arranging a meeting with the customer, the national account sales manager reviews the situation with each of Norton's three regional managers, so as to learn what their needs and expectations may be regarding a national agreement with the customers. Thus, each preparatory step calls for a team effort.

Local plant cooperation. When the national account sales manager makes his first call at the customer's headquarters, his objective is to present the potential merits of a national agreement and to determine whether the target individual has the authority to gain follow-up cooperation at the plant level. Since buyers at the plant level often resist agreements made at the corporate level, an important element of Norton's national account strategy has been to gain the support of such buyers early in the negotiations. This is done by each local sales supervisor.

If it appears that the hoped-for plant cooperation cannot be assured, then the customer will not be offered national account status. If the evidence is favorable, however, further meetings are then proposed between Norton's local sales representatives in the field and the various plant buyers. An attempt is made to involve every customer plant

because experience has shown that acceptance at this level is critical to success.

Often, the national account arrangement that emerges is unique to that particular account. As part of its program, for example, one customer may require a survey of abrasives use at each of its plants—with a Norton sales representative and an engineer to determine in each case what was required to obtain productivity gains. In another case, so thorough a technical evaluation was necessary for only ten of the customer's twenty-five plants, and the remaining fifteen needed only to be informed of the existence of a national agreement with Norton.

Role of distributors. Once a Norton customer signs a national agreement, it designates the local distributors on which it will rely for service. The Norton local sales supervisor notifies the designated distributors of Norton's national agreement with the customer. Because distributors usually gain more business as a result, they generally like their accounts to have national status. Actual stocking and service arrangements for Norton products are negotiated separately between each of the customer's local plants and the distributors serving them.

Follow-up. During the year following the signing of a national agreement, the national account sales manager will carefully review the activity with an account, checking with the local Norton sales supervisor and sales manager in the district in which the customer's headquarters is located to see how the contract is working. He also remains available to assist local sales representatives with any difficulties that may arise at the plant level. Field personnel are encouraged to take note of any special support that Norton's home office might be able to supply, such as:

- Developing computerized analyses of the customer's use of Norton products, to help in determining how altered specifications or purchase practices might yield cost savings for the customer;
- Expediting backup service, such as the possible provision of engineering support or overnight quotations;
- Setting up just-in-time inventory systems.

Of the several thousand customers called upon by the abrasive group's sales force, just over 20 are considered to be national accounts. The national account sales manager's personal contacts with each of these customers are generally limited to one or two a year. He has no account responsibility and thus in no way "competes" with the field sales force. Approximately six weeks before renewal of a national account agreement, he surveys regular field personnel and begins the cycle anew.

A Paper Company

A major manufacturer of paper and paperboard converts a substantial portion of the output of its mills into packaging products, such as corrugated containers and bags. These are sold to a variety of users by the company's own sales representatives and, to a lesser extent, through distributors. National account activities are located primarily within the company's converting operations.

The impetus to develop a national account program came from large buyers. They had centralized purchasing and, as a result, increasingly preferred a single contact with the company rather than a stream of sales representatives.

In its initial stage, the manufacturer's program was spearheaded by sales personnel in the converting group who developed a "corporate capabilities" presentation for major customers. That original effort grew to the point where national account sales staffs now function in the two largest divisions—containers and bags—of the company's converting operations.

The Container Division

The Container Division has the largest national account program. Sales to national account customers represent about 25 percent of its total sales. Eight national account managers look after an average of 20 such accounts each. The actual number depends upon the size and complexity of the accounts. One manager, for example, handles 25; on the other hand, a manager with primary responsibility for a large, multiplant national customer might carry no more than about 12 additional accounts.

Most of the national account sales managers are recruited from the company's field management or sales representatives.

The Container Division is split into four geographic regions (including one maintained by a wholly owned subsidiary). Each is directed by a regional manager. Within each region, six or seven plants are individual profit centers headed by a general manager who reports to the regional manager. Under the general manager is a sales manager who directs the regular field sales force for the plant. (See the accompanying organizational chart.)

National account managers are located close to their customers headquarters. A division sales manager at Container Division headquarters, to whom the national account

managers report, has a dotted-line relationship with the plant sales managers. He works closely with the regional managers as well.

Bag Division

The national account program in the company's Bag Division is structured like that in the Container Division.

In the Bag Division, five national account managers, under the direction of a national account sales manager, deal with major purchasers of multiwall and consumer bags.

Functions and Activities

The national account manager, the company's primary contact with centralized purchasing customers, gets backup support from all levels of the company's regional operations.

In the Container Division, the manager negotiates contracts with customers for business at specified sites. He provides quotes on proposed business from an account, but must get price authorization from the general manager, who is ultimately responsible for a plant's profitability.

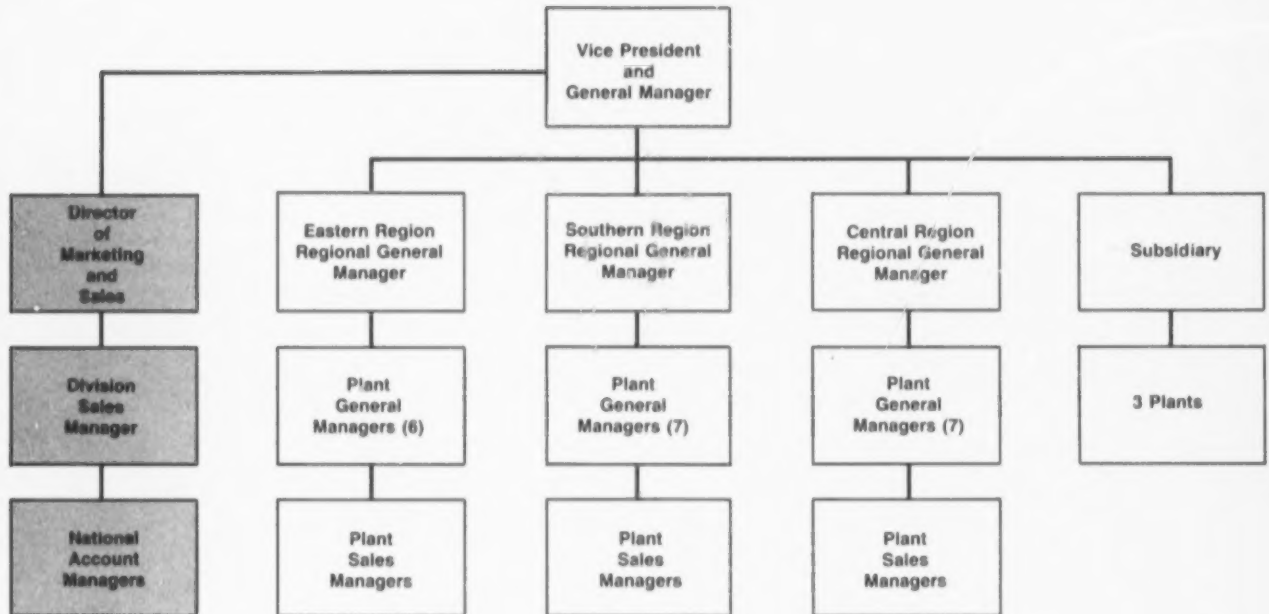
In the Bag Division, the national account manager negotiates contracts with the approval of divisional management.

Once a sales contract is signed, the national account manager is responsible for ensuring that it is fulfilled. The quality and service must meet the customer's requirements. However, it is the local field sales representative who actually serves and calls on an individual plant of a customer. Occasionally, the national account manager also becomes involved directly with the local follow-up.

No national account manager has line authority over plant personnel. Thus, a team effort is needed. The smooth functioning of national accounts is attributed to these factors:

- National account managers emphasize that such programs are most effective when people within the company work together.
- Individuals for national account positions are chosen for their team-building, negotiating and professional selling skills.

Converting Operations of Container Division, A Paper Company



- There is regular, informal communication between the national account managers and plant management. Annual divisional sales meetings bring the sales managers and the national account managers together on a formal basis. Bimonthly newsletters—one for the Container Division, the other for the Bag Division—keep all parties informed about national and regular accounts.

The key to success, the company stresses, is a professional program with sound communication.

- Sales credit generally is given to sales representatives

in whose territories a national account customer plant is situated. This ensures that representatives treat national accounts with proper attention to quality and service on a local level. National account managers are paid a base salary plus an incentive bonus related to their effectiveness in managing their accounts.

- The Division sales manager is well positioned as an arbitrator. With his direct authority over national account managers and his dotted-line relationship to sales managers, he is able to work out problems that cannot be resolved at the local level.